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U.S. Job Machine Rolls On With Little Sign of Inflation

By Mitchell Martin nternutional Herold Tribune

NEW YORK -- The U.S. unemployment rate fell to a 28-year low of 4.3 perceot in April, the government said Friday, as 262,000 jobs were created, indicating the economy's seven-year expansion has farther to run.

Investors welcomed the news, which contained elements that allayed fears of an interest-rate increase, and stock prices rose. The Dow Jones industrial average closed 78.47 points higher at

The unemployment report from the Labor Department is the first look at the previous month's economy, so it is closely followed on Wall Street. vestors who fear the Fed will soon raise rates. In recent days, investors had been worried that the Federal Reserve Board would push up shortterm interest rates to slow the economy before

German jobless rate falls to 11.4%, Page 11.

rising wage costs spilled over into prices. But the employment report allayed those coocerns.

Stan Shipley, a Merrill Lynch & Co. econ-

omist, said that when averaged with the decline in job creation in March, the data indicated the economy was adding 130,000 to 150,000 jobs per month, "which is not very threatening" to in-

Now, he added, "there is no way the Fed will tighten in May," and the report "calls into ques-tion whether they will fighten in July." The cen-tral bank's Open Market Committee meets at six-

week intervals to decide its interest-rate policy.

The figures contained some statistical quirks that seem to have overstated the fall in unemployment, which surprised analysts and investors. The companion report that showed that 262,000 jobs were created was in line with market expectations. The unemployment rate is taken from a household survey, while the payroll statistics

See JOBS, Page 10

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Netanyahu Aide Sees 'No Way' **To Meet Deadline** For Talks in U.S.

He Speaks After Clinton Envoy Discusses West Bank Pullout With Israeli Prime Minister

By Serge Schmemann
New York Times Service

JERUSALEM - An Israeli government spokesman said Friday night that there was "no way" Prime Minister Benjamin Netanyahu could meet Washington's deadline of Monday to decide on withdrawing troops from another 13 percent of the West Bank.

But the spokesman, David Bar-Ilan, insisted that Mr. Netanyahu was still "hoping to find a solution that would be satisfactory to all sides, and to go on."

He declined to say whether a decision Tuesday was a possibility. The Clinton administration has signaled that it might be willing to postpone its deadline a day or two, but not more.

Mr. Bar-llan spoke after Mr. Netanyahu met for an hour and a half with President Bill Clinton's special

American Jewish support for the Clinton administration is bolding firm. Page 15

envoy to the Middle East, Dennis Ross. He flew into Israel on a U.S. Air Force plane Friday for a last-ditch attempt to salvage a deal that would restart peace negotiations with the Palestinians.

Neither Mr. Netanyahu nor Mr. Ross offered any comment before the Jewish Sabbath imposed a curtain of public silence at sundown, Mr. Ross was to remain in Israel through Saturday, leaving open the possibility of further discussions, though none were publicly

Mr. Bar-Ilan's comments underscored the acute brinkmanship that was evidently being exercised by both the Israelis and Americans now that Mr. Clinton has issued for the first time what amounted an ul-

After more than a year of futile efforts to restart negotiations, Secretary of State Madeleine Albright told Mr. Netanyahu in London this past week that he had until Monday to accept an American package calling on Israel to transfer control over another 13 percent of the West Bank to the Palestinians in exchange for a concrete Palestinian plan of action against

If they agreed, Mr. Netanyahu and Yasser Arafat of the Patestinian Authority were invited to come to Washington to begin talks on a final Middle East

Mr. Netanyahn's rightist government has repeatedly warned that it cannot accept anything bigger than a 9 percent pullback, and the prime minister promptly began a counterattack, accusing the Clinton administration of tampering with Israel's security and calling on his supporters among American Jews and in the U.S. Congress to intervene.

One of Mr. Netanyahu's current problems is that Ariel Sharon, the most influential hawk in his cabinet, and two other key members are abroad. The cabinet meets regularly on Sunday, but Mr.

Bar-Ilan said the question of a further withdrawal was not formally on the agenda. He portrayed the gov-

See ISRAEL, Page 5

U.S. Senate Unanimous On Overhauling the IRS

Taxpayers Would Get Extensive New Rights

By Albert B. Crenshaw Washington Post Service

WASHINGTON - The U.S. Senate has voted unanimously to approve the most far-reaching overhaul of the Internal Revenue Service in more than 45 years, responding to a political outcry over alleged abuses by the tax collection service's agents and managers.

The measure, passed by a vote of 97 to 0, would set up an oversight board made up mostly of nongovernment members to review IRS operations, set policy and establish greater Treasury Department control over the internal unit that investigates complaints against

It also would grant taxpayers extensive new rights in dealing with the service. Under the bill, if a taxpayer became embroiled in a court battle with the government over a tax liability, the burden of proof would fall on the service rather than the taxpayer, so long as the taxpayer kept records and cooperated with the service.

The measure would provide new protections for people stuck with tax bills incurred by a former spouse, limit penalties and interest now imposed in a variety of situations and restrict the

agency's collection methods. The Senate bill would cost the Treasury an estimated total of \$18.3 billion over 10 years, most of that from revenue losses resulting from the new taxpayer rights.

The senators agreed to pay for those costs by restricting several corporate write-offs and by making it easier for wealthy senior citizens to convert traditional individual retirement accounts to new Roth IRAs. Critics contended that the IRA provision would increase revenue only in the short run while losing it in future years.

"The IRS is going to change and change dramatically as result of this" legislation, said Senator Bob Kerrey. Democrat of Nebraska, who was cochairman of a congressional commission that spent a year studying the agency. Along with the Senate Finance Committee chairman, William Roth Jr., Republican of Delaware, Mr. Kerrey was a key architect of the measure. Beyond the rules and structural

changes, Mr. Roth said the bill would change the culture of the IRS from a focus on law enforcement to one on customer service.

Today, "the agency has too much

See IRS, Page 5

homes are organized along strict pat-

riarchal lines. An often quoted Polish proverb says, "If a man does not beat

But now women's groups are discuss-ing the issue, holding "tribunals" where women tell their stories and seminars to

sensitize the police and prosecutors, who

alerted Poles to the idea that brutality is

more than just a family spat. One bill-

board shows a badly beaten women with

blood on her lips and her battered son. The tag line reads, "Because the soup

Statistics are notoriously hard to pin

down in Poland, but in 1995 the courts

recorded a 33 percent rise in the number

of domestic violence cases, suggesting

See POLAND, Page 5

A national billboard campaign has

have often dismissed such complaints.

his wife, her liver rots."

was too salty.

Ramos Cools Off, and Businesses Warm to His No. 2



President Fidel Ramos of the Philippines trying to beat the heat with a towel as he campaigned Friday for his candidates. He opposes the front-runner in the presidential election Monday, Vice President Joseph Estrada, who is gaining acceptance by the business community. Page 9.

* Rattled Japan Carmakers Keep Hope in Face of Mega-Merger

By Sheryl WuDunn New York Times Service

NATSUSHIMA, Japan — Standing inside the dormitory he manages for Nissan Motor Co., Mntsumi Goto looked a bit befuddled by the whirlwind on the other side of the world. "It's an epoch-making event and I feel a little bit left behind," Mr. Goto said,

A former factory team leader at Nissan, Mr. Goto, 60, was speaking of the union between Chrysler Corp. and Daimler-Benz AG. And if

By Jane Perlez

New York Times Service

PRUSZKOW, Poland - In the be-

ginning, Bozena L. felt flattered by the

attennon her new husband showered on

her. He walked her to work, picked her

up afterward and was always concerned

In the style of many Polish men who

But as he began to abuse her, she realized his protectiveness was really jealousy. Now 15 years later, after suf-

fering repeated beatings, she has

brought criminal charges against him and filed for divorce. But Bozena, 47,

and their two sons still live with the man

When ber husband, Caeasar, a burly

60-year-old, , came home to their cramped apartment on a recent night as

Bozena sat with two visitors in a bed-

room, he seethed with anger. He entered his bedroom, now separate from hers. Ever so slightly, she quivered.

Domestic violence is becoming a

public issue in Poland, a nation where

the sanctity of the family is of almost

mythical importance and where most

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...10.00 FF Lebanon 11. 3,000

,12,50 FF Morocco _____16 Dh

CE 5.50 Réunion 12.50 FF

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love to act like gallant knights, he bowed his head and kissed women on

about where she went.

she has long feared.

the hand.

Egypt

An Awakening in Poland

Battered Women Get Attention in a Campaign

To Sensitize the Public to Domestic Violence

sushima, a company town 65 kilometers (40 miles) from Tokyo where Nissan produces cars-

Battle for Rolls-Royce isn't over. Page 9.

mostly headed for America, it is because this is not the way it was supposed to happen.

Not long ago, it was the Japanese auto companies that seemed to be invading the United States and poised to take over the world. Now a new

he and other people are dismayed here in Nat- auto giant has been forged by melding a U.S. half of the market for cars in Asia, which, company that Japanese auto companies almost killed off two decades ago with a German firm that was perceived as filling a luxury niche.

In Japan, the greatest auto manufacturing country in the world outside the United States, there is still a feeling, perhaps mixed with a good deal of hope, that the merger between Chrysler and Daimler-Benz will not immediately affect Japan. Analysts say that Japanese cars are still well-designed and relatively cheap, and that Japan has cornered more than

according to Merrill Lynch, will still be a growing market in the long run.

And Toyota Motor Co. and Honda Motor Co., which make some of the most world's competitive cars, have been on a hot streak and their worldwide sales are expected to remain brisk. Indeed, Honda's profit returns are not too far behind those of U.S. companies, and Toyota, with \$21 billion in cash, has enough money to

See JAPAN, Page 5

Pilot Lands Blind in DC-9

Cockpit Window Smashed by Hail and Wind, But All 86 on U.S. Flight Escape Serious Injury

CHATTANOOGA, Tennessee -Hailstones and high winds tore the nose cone away and broke a cockpit window of an AirTran jetliner, forcing the plane to make an emergency landing. None of the 86 people aboard

was seriously injured.
"I love my wife," said a shaken
Captain Benton West, the pilot of the scheduled flight Thursday from Atlanta to Chicago. "I'm going to see her again."

"I've been shot down twice in Vietnam," he said "so this - it wasn't going to end like this."

Amateur video footage aired on WTVC-TV in Chattanooga showed a smashed window and the torn nose cone of the DC-9 jetliner. There were also dents in the wings. AirTran was formerly known as

Valulet. The airline's name was changed in 1997, following a crash on May 11, 1996, in the Florida Everglades, in which 110 people were killed. On May 1, 1996, American Air-

flights after hail as big as softballs damaged 51 jets and 24 smaller planes parked at Dallas Fort-Worth International Airport. David Garrett, air traffic manager at Chattanooga Metropolitan Airport,

lines was forced to cancel nearly 300

said the DC-9 had not lost its ability to land, "but the pilot wasn't able to see because of the cracked windshield and the cose cone damage. Controllers guided the aircraft to the

nunway while emergency crews were put on alert, Mr. Garrett said. Two people were sent to hospitals with minor injuries, and passengers were transferred to another plane bound for Chicago.

AGENDA

U.S. Cancels War Games in Indonesia

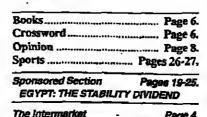
WASHINGTON (AFP) — The United States canceled a military training exercise with Indonesia and is reviewing all other scheduled joint military activities because of concern over the situation there, a Pentagon spokesman said Friday.

"We thought it would be inappropriate to continue training at this time," the spokesman said, At least 60 people were injured Friday by police beatings and tear gas during student protests in central Java Page 4.

Toll Increases to 91 in Italian Mud Slides

Italian rescue workers pulled out more bodies on Friday from homes and cars engulfed in mod slides, but said three days after the disaster that some isolated areas had yet to be reached. Authorities put the death toll

Clouds of choking, blinding dust, sent up from rivers of baking mud, hampered efforts to dig for the missing pear Naples, Page 2.



Black Death's Gift: Protection From AIDS

By David Brown Washington Post Service

WASHINGTON - Survivors of the Black Death, which ravaged Europe in the 14th century, apparently bequeathed to their descendants the ability to resist infection by the AIDS virus.

That is the conclusion of a team of scientists studying a rare genetic muta-tion that confers on its carriers pro-tection against the human immunodeficiency virus, which causes AIDS.

Although the origin of the mutation is obscure, it appears to have suddenly become relatively common among white Europeans about 700 years ago. That increase suggests something must have occurred about that time to favor greatly the survival of people carrying the mutation. In fact, such an event is known to have existed: the epidemic of bubonic plague that swept out of Asia and into Europe in 1346.

14th-Century Plague **Caused Key Mutation**

The chance of this gene "randomly drifting up" to its current frequency among white Europeans is unlikely, said Stephen O'Brien, a molecular biologist at the National Cancer Institute who headed the research team. "In fact, it's impossible," he said. "There had to have been something going on that jacked it up.

The Black Death was one of the cataclysmic events of recorded history, A bacterial disease spread by rats and fleas, it killed between one-quarter and one-third of Europe's population be-tween 1347 and 1350. In some places notably Florence, Marseille and other crowded Mediterranean cities - more than half the inhabitants are believed to

Several waves of the disease followed the initial one, and the continent's population did not reach its pre-epidemic size for 100 years. By then, much of feudalism's distinct economic fea-

tures had been crippled or swept away, and the modern period had begun. Just as bubonic plague permanently altered the structure of Western society, so it appears to have altered the genetic endowment of Westerners, or at least some of them. The mechanism by which this might have occurred is fairly straightforward.

All genetic mutations arise by chance. Some are harmful and disappear quickly because people carrying them die before they can have children and pass on the mutation. Some are neutral, neither immediately harmful nor immediately beneficial. They spread through a population but never

See PLAGUE, Page 5



A Warsaw billboard showing a battered face says, "Because he had to let off steam." It is part of a campaign to publicize domestic violence.

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Death Toll Rises to 91 In Mudslides **Near Naples**

QUINDICI, Italy -- Rescue workers pulled out more bodies on Friday from bomes and cars engulfed in mud slides. but said three days after the disaster that some isolated areas had yet to be reached. Authorities put the death toll at 91.

Clouds of choking, blinding dust, sent up from rivers of baking mud stretching as far as the eye could see in some parts, hampered efforts to dig for the missing. Their numbers varied from about 100 to more than double that:

The higgest problem right now is the dust, because it creates respiratory problems and makes seeing difficult," said Quindici's head doctor, Mario Siniscalchi, who is coordinating the health side of the rescue effort.

We can't find any masks in all of Campania," the region where mudslides on Tuesday swept away parts of several sonthern towns, the doctor said. A total of 66 of the dead were found in Sarno, the bardest-hit town in the valley running along the foot of Mount Sarno,

halfway between Naples and Salerno.
In this small town 125 kilometers (75 miles) east of Naples, the top priority was clearing roads to reach outlying homes, said Gaetano Simonetti, a civil defense coordinator. Lack of supplies hampered the ef-

forts. "We don't have all the trucks we need," he said. He said that eight bodies were found Friday and that "there is no way to tell

bow many people are still lost. Near him, a mound of cars on a main road lay crushed on top of each other, swept away hy a mud torrent Tuesday night. Some of the cars were buried and it was impossible to tell if people were

In a sign of the fury and force of the mud onslaught, five homes in one part

of town were swept away.

The civil defense agency has reported widely fluctuating numbers of missing. The latest count was 107, but officials in Samo said the number was double that

Forty U.S. Navy engineers arrived in Lanro, the next town over, to huild a tent city for Italian rescuers at an old factory

Days after torrential rains unleashed the massive landslides in a heavily populated area, rescue crews were finding mostly bodies, not survivors.

"There still might be a few lncky survivors, trapped in air bubbles in the mud, or within undamaged structures," said a civil defense official. Roberto Malisan, in Samo. "But the more bours pass, the more hope fades."

Even as rescue crews looked for surrivors, some people began returning

On the main street in Quindici, the mud flow was up to doorknob levels. Families tried to dig through to their

The mood was at times ugly, with residents complaining that rescue work-

ers were not helping them get inside.
"Unfortunately, the residents are
very agitated," Mr. Simonetti said. "Instead of belping us out, they are breathing down our necks, complaining we aren't helping them clean out their

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THE WORLL'S TRUIS NEWSPAPER

homes.



Mr. Annan, arms crossed, with his wife, Nane, at a graveyard Friday in Nyanza where some of the Tutsi killed in the 1994 genocide are buried.

Annan Takes the Rap in Rwanda

UN Chief Protects West for Its Inaction During Genocide

By James C. McKinley Jr. New York Times Service

KIGALI, Rwanda - The UN secretary-general walked into a political ambush at week's end, absorbing several highly personal attacks from Rwandan leaders who blame the United Nations for failing to intervene in the 1994 genocide here.

For most of his visit, the secretarygeneral, Kofi Annan of Gbana, defiantly defended his decisions in 1994, when he was bead of peacekeeping operations, arguing that world leaders had failed to provide the UN with the troops and mandate needed to stop the killing.

"I have no regrets," he said. On Friday morning, as he visited a shed full of skulls belonging to victims of the genocide in Mwurire, 50 kilometers (30 miles) outside Kigali, Mr. Annan tried again to point out that the major powers had known about the genocide, but were not willing to intervene.

"The international community could

not muster the resources or the will to come to Rwanda's aid," he told a group

of survivors. But even while he admitted that everyone had failed Rwanda, Mr. Annan resisted casting hlame on specific members of the Security Council, which bad the final say over sending more troops to save Tutsi victims.

In essence, Mr. Annan took a political beating bere to protect Western leaders who, despite receiving early warnings of the impending slaughter, resisted get-

ting involved in the Rwandan massacres until it was far too late to belp.

Put simply, Mr. Annan took the abuse to shield the United States. It was the Americans, still stinging from their failed peacekeeping operation in So-malia in 1993, who had resisted getting involved in the Rwandan killing in the spring of 1994 until it was far too late to save most of the genocide victims, aides to Mr. Annan said privately.
"The Americans said no," one aide

said. "It was fresh after Somalia, and the Americans were not going to have it." The contretemps between Mr. Annan and his Rwandan hosts

also highlights another ugly political reality in Rwanda since a Tussi ANALYSIS rebel army ended the genocide and set up the present government. It is convenient for the current regime to hlame the rest of the world for failing to save Rwanda from itself.

The government here has plenty of reasons for keeping the memory of the UN failure alive. To start with, despite some progress in bringing moderate Hutu into positions of power, Rwanda's government remains an undemocratic regime controlled by the Tutsi minority, many of whom are hungry for vengeance for the massacres.

That Tutsi rebels stopped the genocide while the world's great powers dithered on the Security Council gives the current government legitimacy and the moral anthority to rule.

What is more, the United Nations'

perceived failure in 1994 makes it hard for Western powers to criticize Kigali's human rights record, which is far from perfect. Rwandan troops not only are accused of massacring thousands of Hum refugees in neighboring Congo during the civil war there last year, but also regularly conduct campaigns against Hum guerrillas in which civilians are killed.

Finally, playing the victim of an international conspiracy of neglect is a platform for demanding more aid to ebuild Rwanda.

build Rwanda.
UN officials received information from the Canadian commander of peacekeeping forces in Kigali as carly as January 1994 that a genocide was being planned by Hutu extremists.
On April 6 of that year, these militant

Hutu seized control of the government scuttled a UN-brokered peace accord with Tutsi rebels and started a campaign to exterminate all the Tutsi in government-controlled areas. The next morning, the Hutu hard-

liners captured, tortured, murdered and mutilated 10 Belgian peacekeepers. It was a clever tactic. Within two weeks, Belgium withdrew all its troops, leaving the commander of the peacekeeping op eration, General Romeo Dallaire, with a small, ill-equipped force.
For several weeks, while the Security

Council delayed making a decision, the UN soldiers did little more than guarda few havens where frightened Tursi had gathered for protection. The slaughter continued across the country.

BRIEFLY

Hague Free 14 Serbs, for Now

THE HAGUE - The United Nations war crimes tribunal said Friday it had dropped charges against 14 Bosnian Serbs connected to two notorious camps where thousands of Bosnian Muslims and Croats were interned during the Bosnian war.

The 14 men had been accused by the International Criminal Trihunal for the former Yugoslavia of committing war crimes at the Serb-run Omarska and Keraterm detention camps in the Prijedor region of north-

western Bosnia-Herzegovina.
The chief prosecutor, Louise Arbour, said she had asked for the withdrawal of the indictments because the tribunal did not have the resources to try all the men separately, as required. She reserved the right to reindict

ETA Is Blamed in Shooting

VITORIA, Spain — A retired Civil Guard officer was seriously wounded by a gunman Friday in an attack attributed to the Basque separatist group ETA.

Alfonso Parada Ulloa, 61, was sbot in the head as he

was leaving his home in the Basque capital, Vitoria, a regional government spokesman said. Doctors said he

was in extremely critical condition. German Coalition Talks Fail

MAGDEBURG, Germany, — Talks between the So-cial Democrats and Christian Democrats aimed at forming a coalition government in the easiern state of Saxony-Anhalt collapsed Friday.

The state premier, Reinhard Hoeppner, a Social Democrat, said the two parties could not agree on how to deal with the anti-immigrant German People's Union, which won 13 percent of the vote in Saxony-Anhalt in elections in April. A coalition of the two parties in Saxony-Anhalt bad

been expected to help the Social Democratic candidate for chancellor, Gerhard Schroeder, in the race against Helmut Kohl in September.

Ruling Socialists Are Favored in **Hungary Election**

The Associated Press BUDAPEST - Buffeted by economic hardships for years, Hungary has emerged as the star per-former in Eastern Europe going in-

to national elections Sunday.

Along with the recent U.S. endorsement of its entry into the North Atlantic Treaty Organization, the economic turnaround has put the governing Socialist Party in a strong, although not unassailable, position going into the vote.

As the 12 parties comending for seats in Parliament beld final railies Friday, the latest public opinion polls mostly showed the Socialists with a slight lead over the centerright opposition Young Democrais-Hungarian Civic Party.

Analysts expect the Socialists, a pro-reform successor party to the Soviet-era Communists who came to power in 1994, to retain the leadership once results are in from a May 24 runoff.

Even opposition parties now concede that Hungary's economy is growing as a result of the austerity measures imposed by the governing party three years ago.

At stake Sunday, along with all 386 seats in Parliament, is the chance to form the next government.

The West has lauded the government's performance in Hungary, which has supplanted the Czecb Republic as the economic leader in the former Soviet bloc. The economy grew 4.4 percent last year, and inflation has been falling.

Amnesty Denied for ANC Chiefs Nelson Mandela's heir apparent, up in 1995 to try to uncover the truth about apartheid-era atroc-

CAPE TOWN - A blanket amnesty for the top leaders of the governing African National Congress, including Deputy President Thabo Mbeki, was over-turned by the High Court on

'There is gramed an order reviewing and setting aside the decisions made hy the committee on amnesty," said judge Johan Conradie in setting aside the amnesty for apartheid-era human rights ahuses that had been granted to the 37 ANC leaders by the Truth and Reconciliation Com-

The amnesty committee of the truth commission last November pardoned top ANC members, including Mr. Mbeki, President

and five other cabinet members. But the amnesties, granted for unspecified buman-rights of-

fenses committed during apartheid rule, provoked controversy ical crimes and award damages to because they were awarded in a block without public hearings and without revealing wbat crimes the 37 had committed. The truth commission decided full disclosure of their actions

in January to ask the court to rule and their motivations. on the decision of its amnesty National Party lodged its own security force members have reappeal.
The ANC, which originally

said it would oppose overturning the blanket amnesty, last week withdrew its opposition, speeding up the court process.

apartheid regime that included a series of bomhings, some of which resulted in civilian deaths. Nigeria Arrests Main Opposition Leader

ities, reconcile the country's di-

vided races, grant amnesty to those who confess in full to polit-

The legislation setting up the

truth commission required that

all amnesty applicants provide a

It does not require any apology,

fused to apologize for their ac-

tions, although others bave.
The ANC conducted a low-

level armed struggle against the

Western countries have described General

LAGOS — Olisa Agbakoba, the leader of Ni-geria's main opposition group, United Action for failure and bave threatened to extend sanctions, Democracy, was arrested Friday by state security which are now limited. police, colleagues in his law office said. He was arrested at Lagos airport on his way back from a trip

groups, called May Day protests against the military ruler, General Sani Abacha. Seven people were sbot and killed during one of the protests, in the southwestern city of Ibadan. The military authorities had threatened to crack down on the ringleaders, and activists say that at

United Action, a coalition of 25 pro-democracy

least 20 people have been arrested since then. The protests were called after five legally per-

mitted political parties chose General Abacha as the sole candidate for the Aug. 1 presidential election.

TRAVEL UPDATE

for such offenses 100-fold. officials say.

vacations were spoiled by the harassment.

planned visiting days, beginning Sunday.

Denver Post reported.

■ Nigeria Frees 142 Prisoners

Nigeria said this past week that it had freed 142

prisoners on orders of General Abacha, The Washigton Post reported. Those freed include four journalists but few other political prisoners, Nigerian newspapers

The freed journalists are Muhammad Amadu and Soji Omotunde of the newspaper African Concord; Babafemi Ojudu of The News; and Onome

Osifo-Whiskey of Tell magazine. Also freed was Ogaga Ifowodo of the Civil Liberties Organization, a human rights group.

WEATHER



North America threatied and cool Sunday
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ley into the Northeast with
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may shower in Paris Sunday. Sunny, dry and hot in
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Japan Airlines Co. Ltd. said Friday It planned to reduce

fares by up to 50 percent on round-trip flights from cities in the United States to those in Japan from May 22 to July 25. A JAL

29.98 1762 s 29.98 16.01 c 1668 346 r 1355 548 pc 2475 1457 pc 2177 1725 pc 3289 1355 s 2091 1457 s 3168 2475 sh 2577 1050 pc 1577 1050 pc 1577 1050 pc 1577 1050 pc 1577 1055 pc spokesman said the carrier filed an application Thursday with the Transport Ministry for the fare cuts. For the discounts, tickets need to be issued by May 22. (Reuters) FLORENCE, ITALY My check is analosed ipayable to the IHTI For business orders, indicate your VAT No. (INT. NAT Number FR74732021126)

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Minnesota and Big Tobacco: \$6 Billion Deal

ST. PAUL, Minnesota - Minnesota reached a tentative \$6 billion settlement on Friday of its lawsuit against tobacco companies just as jur-ors were scheduled to hear more closing arguments in the three-and-a-half.

John Coale, a Washington lawyer wbo helped negotiate a oational tobacco settlement last summer, said details of the agreement would be

Television and radio reports in Washington also reported a tentative settlement, saying the money would be paid over 25 years. In St. Paul, neither tobacco companies nor plaintiffs would confirm a settlement.

Closing arguments were delayed

Ciresi, had been scheduled to give his summation, but Judge Kenneth Fitzpatrick of Ramsey County Dis-trict Court opened the day's session

by announcing an immediate recess.

KARE-TV in Minneapolis said the state would get \$5 billion, with an additional \$400 million going to coplaintiff, Blue Cross and Blue Shield of Minnesota, and \$600 million being paid directly to the plaintiff attorneys. In talks this week, the two sides had

been reported to be negotisting a set-tlement of more than \$5 billion. The wanted "very badly" to settle the case damage claim against the 10 defendant might break ranks with its peers. Minnesota would have received

apart. The state becomes the fourth to settle a tobacco lawsuit.

Three states settled before testimony began in their cases: Mississippi for \$3.36 billion, Florida for \$11 billion and Texas for \$15.3 billion. Besides Minnesota, 37 other states have lawsuits pending.
In closing arguments Thursday, a

defense anomey asked the jury not to make a scapegoat out of the tobacco industry for the smoking habits of children. Robert Weber urged jurors Saint Paul Pioneer Press reported Friday to think critically as they weighed the that at least one of the tobacco firms state's and Blue Cross's \$1.77 billion

without explanation Friday morning. about \$4 billion under a proposed than to say you want a bunch of not one of them, Mr. Weber said.

The plaintiff's lead attorney. Michael \$368.5 billion national settlement money," said Mr. Weber, who repreached last summer that later fell resents R. J. Reynolds Tobacco Co. 'Don't let emotion get in the way of

facts.' Summing up the industry's case, Mr. Weber said the plaintiffs failed to prove any wrongdoing by the defendants that caused the state or Blue Cross to incur additional health care

Mr. Weber reminded the jurors that defense witnesses included the mar-keting executives behind R. J. Reynolds's Joe Camel ad campaign and the "Marlboro Country" campaign of Philip Morris Inc., who both testified that they never aimed their marketing efforts at children.

There are many reasons why ad-"It's easier to talk about children olescents smoke, but advertising is

EU Seeks U.S. Help Against Cigarette Traffic Prosecutors Say American Companies Refuse to Release Data on Customers

By Raymond Bonner New York Times Service

VIENNA - European governments, increasingly frustrated by the rising volume of American cigarettes smuggled into Europe, have decided to turn to Washington for help in investigating the suspected involvement of American tobacco companies, starting with R. J. Reynolds Tobacco Co., according to a senior European Union official

It will be the first time for the EU to formally request help from the U.S. government in combating the illicit cigarette trade, and arises out of a conviction that the Amersaid. Prosecutors in Europe ation whatsoever, we intend say that American tobacco to take up this issue with the companies have consistently U.S. authorities."

By Felicity Barringer

New York Times Service

describing the medical world's optimism

about a new drug therapy for cancer was

On Tuesday, one of these reporters -

same topic that a publishing industry source

These events crystallized recent con-

Ms. Kolata said Thursday that the day her

cerns about journalists writing books about

whar they cover because a financial stake in

article appeared, she received a call from

John Brockman, the literary agent, who

specializes in science and technology. "He

said, Just write me an e-mail. Two pages,

and I can get you \$2 million," she said.

said would bring him \$1 million.

a story could cast doubt on coverage.

from Random House to write a book on the conflict of interest.

among New York publishers.

NEW YORK - A day after an article

resisted their efforts to obtain the names of international customers in cases under investigation. Now they are for assistance.

Authorities say they believe that the manufacturers routinely sell American cigarettes to traders and dealers wbo immediately resell them into black markets set up to evade foreign taxes and offer leading brands at a discount.

"We are always puzzled how the cigarette manufacturers are paid and the only way we can obtain this inbased in Brussels, said Thurs-

Million-Dollar Temptation

Science Reporters Get Huge Offers for Cancer Books

published in The New York Times, agents she said. "Once people think I'm not going

for two reporters circulated book proposals to be a credible reporter, I'm not going to do

Gina Kolata, who wrote the article that The Joseph Lelyveld, the executive editor of Times featured on Sunday — instructed her The Times, said: "We don't want reporters

By Wednesday, Robert Cooke, a News-ering. There is the danger of a conflict of

day science reporter, bad accepted an offer interest, and there is an appearance of a

the company did not generasking the U.S. government ally identify its customers but added that it had "always co-

operated with authorities." arette smoking abroad, In an interview Thursday, especially of American Mr. Gietz also said that the brands. Experts have estimatcompany was continuing to sell to a trader who told The cigarettes sold overseas now New York Times last year that his clients were smugglers. Cigarette smuggling cost

European governments \$1.5 billion in lost taxes last year, according to a report by the EU's anti-fraud unit released formation is from them," Per on Wednesday. Adding to the Brix Knudsen, director of the concern among European EU's anti-fraud unit, which is governments, the report says that organized-crime syndicican companies are in com-plicity. European officials viously refused any cooper-gling operations.

Around the world, the largest tobacco companies are selling billions of dollars of

"So I said, 'All right, I'll write you an e-mail.' And I did," Ms. Kolata said. "It was

like a trial balloon to me. I didn't actually

"I think we're talking about credibility."

Asked about the potential for conflict,

Reporters had covered Dr. Judah Folk-

man, who is leading the cancer drug research,

long before Sunday's article was published.

Mr. Cooke's agent, Faith Harnlin, said he had

prepared a proposal for a book several weeks

ago on new therapies that suppress the for-

Howard Schneider, a Newsday man-

aging editor, said, "There will be no con-

flict. If there is a conflict in our mind, either

be will do the book or he will stay on the

mation of blood vessels to tumors.

story, but not both."

believe it." She pulled the proposal Tuesday

after consulting with her editors, she said.

A spokesman for R.J. cigarettes each year into con- Reynolds had decided to keep Reynolds International in traband pipelines, say law-en-Geneva, Axel Gietz, said that forcement officials. In the last decade, the volume of smuggling has nearly tripled, reflecting a general surge in cig-

> ed that about one-fourth of the pass through smuggling rings. In Washington, a spokes-

> woman for the Treasury Department said the government had "responded to similar requests from countries in the past" and that in this case, we anticipate trying to be as helpful as possible."

The federal Bureau of Alcobol, Tobacco and Firearms is part of the Treasury Department.

Two recent seizures of smuggled American ciga-rettes highlight the problem in Europe. In one case, more than 80 million cigarettes, say they sold the tobacco lemore than \$3 million, were loaded by Reynolds, the second-largest tobacco company in the United states, onto Reynolds spokesman, said ships in Charleston, South Carolina and Savannah, cigarettes to a company with Georgia, and sent to Greece.

There they were immediately loaded onto a single ship belonging to a smnggling operation that took the contraband to Barcelona. Spanish customs authorities intercepted the haul last January,

The mastermind of the Sea Princess operation, Spanish and Belgium investigators said, was Michael Haenggi, one of Europe's biggest cigarette traders, who says he bas been a Reynolds customer for Panamanian company, which 15 years and has frequently been a supplier to smugglers Spain by ship.
who bring Reynolds cigaMr. Gietz said that after arwho bring Reynolds cigarettes into Spain.

The Reynolds spokesman denied Thursday that the by Reynolds, and that the comcompany knowingly sold to pany had decided to continue smugglers, but he said that its relationship with him.

Mr. Haenggi as a customer even after he told The New York Times last summer that he sold to clients he knew to be smugglers.

The seizure in Barcelona now occupies investigators at the EU's anti-fraud unit, as well as in Spain and Greece.

The key to this case lies with the American authorities," a Greek official said. "They bave to find out who paid Reynolds."

Investigators are convinced that Reynolds knew the cigarettes were destined for the black markets in Spain. "We intend to prove that," said Carlos Ramos Rubio, chief of the anti-corruption office in Barcelona, and the prosecutor in the case. He knows it will not be easy.

Reynolds is very powerful," he said. "It's not easy to take them on Reynolds will primarily Winstons worth gitimately, and it is not their responsibility to follow what happened to it."

Indeed, Mr. Gietz, the that Reynolds had sold the which it had "a long-standing relationship.

He said that company policy did not allow him to reveal the customer's name. Officials at the European

Union find it hard to believe that a company would sell In the other case, Spanish more than 80 million cigaauthorities last October seized rettes without knowing where a ship, the Sea Princess, car- they were going. Mr. Gietz rying more than 120 million said that the company Winston cigarettes bound for checked on customers before Mr. Haenggi, he said.

Last August, in an interview published in The Times. Mr. Haenggi told of an instance in which he sold 160 million cigarettes, to a then smuggled them into

ticle appeared, Mr. Haenggi had been closely questioned

POLITICAL NOTES



If Bill Richardson, the UN envoy, goes to Energy, he would replace Federico Pena.

'Not guilty, your honor,' Mr. Hubbell,

Three others charged with Mr. Hubbell

Mr. Nields's objection to the indicament is

was to have been a key witness in providing

The independent counsel has been inves-

tigating whether the payments to Mr. Hub-

bell were intended to encourage his silence in

Mr. Hubbell, who then was first coming

under criminal investigation. "performed

little or no work" for the consulting fees be

received in 1994, the prosecutors alleged in

Representative Sherwood Boehlert, Re-

publican of New York, resisting further

budget cuts by party leaders: "It's just a

nonstarter. My constituents sent me here for

- Suzy, his wife; Charles Owen, a tax

- also entered the same plea.

the Whitewater probe.

the indictment

a former associate attorney general in the

not guilty Friday to conspiring to evade Reports Tap Richardson axes on hundreds of thousands of dollars in John Nields, Mr. Hubbell's lawyer, said he would challenge the 10-count indictment For Chief Post at Energy

حكذا من الاصل

WASHINGTON - Although the move on the ground that it is "not within the is not final, President Bill Clinton's next scope" of the inquiry being conducted by energy secretary is likely to be Bill Richard- the independent counsel, Kenneth Starr. son, America's chief delegate to the United Nations, officials said.

Word spread through Washington that Clinton administration, said of the charges Mr. Richardson was poised to resign to as he stood before Judge James Robertson move to the Energy Department, But Barry in U.S. District Court. Toiv, a White House deputy press secretary, said Thursday that the reports were at the least premature and could turn out to lawyer, and Mike Schaufele, an accountant be wrong," adding: "This decision has not been made yet."

Mr. Richardson, in Washington to make based on the fact that the indictment obtained a speech, called the reports "just press by Mr. Starr is beyond the original mandate speculation on a premature report." of the investigation. Mr. Starr is investigating the Clintons' ties to the owners of a failing

Asked if be had ruled out taking the cabinet job, he smiled and said, "We all Arkansas savings and loan and Mr. Hubbell serve at the pleasure of the president." Mr. Richardson added that he was not evidence about the president and first lady.

ready to resign his UN post yet, "Absolutely not," he said. "I am the UN ambassador. I'm very happy in my job at the UN.

A former Democratic congressman from New Mexico, Mr. Richardson bas been the top contender for the Energy job being vacated by Federico Pena, who announced April 6 that be would leave the cabinet this summer.

A source familiar with the thinking of Mr. Richardson said that the switch was Quote/Unquote probable and that be and Mr. Clinton were expected to talk soon.

Hubbell Enters Plea

WASHINGTON - Webster Hubbell, a washington — Webster Hubbell, a a smaller, less costly governed didn't send me here to dismantle the government."

(AP) a smaller, less costly government. They in the Whitewater investigation, pleaded **Away From Politics**

countries through a scam that collected

nonexistent venture capital loans, federal

more, Alabama. Steven Allen Thompson,

34. waived any last-minute appeal, saying

he wanted to spare further pain to his family

· A sophisticated criminal network op- states, killing two people and injuring at

defranded up to 400 people in at least 10 curred along the Georgia-South Carolina state line as storms swept eastward, darnmore than \$60 million in processing fees for aging hundreds of buildings and knocking out power to the mostly rural region. (AP) A 6-month-old boy was in critical con-A man who raped and killed a friend's dition in Arlington, Texas, after being bit-

fiancée and then took ber engagement ring ten nearly 100 times by his family's fivewas executed in the electric chair in At- pound pet white rat. The 21-year-old mother of Lamoule Coruthers told the police that the baby had been asleep in a bedroom for 10 to 15 minutes when she went to check on him and found him covered with blood. The mother said she had had the stereo on and Tornadoes raced through four Southern had not beard any cries from him. (AP)

152 Older Boeing 737s to Be Inspected for Fuel-Tank Wiring Damage

By Don Phillips Washington Post Service

WASHINGTON — Federal regulators have ordered airlines to remove 152 older Boeing 737s from service in the next week for inspections, acting with unusual speed after the discovery of a damaged wiring system in one jet raised concerns of a fuel tank explosion.

The unusually tight schedule for inspecting and overhauling the fuel tank wiring could cause some flight disruptions, Federal Aviation Administration officials said. But it was nuclear where any disruptions

would occur, and several airlines affected by the emergency order said they could accommodate the fixes under the seven-day time frame.

The action Thursday was not a formal grounding of the jets, like the DC-10 grounding in 1979, and has thus far affected only a small portion of 2,900 737s in service worldwide. The 737 is the most popular passenger jet in the world.

The FAA also recently ordered inspections, though less rigorous, of several hundred 747 and

767 jets.
Officials said the discovery was serious. Rich Breuhaus, Boeing's chief engineer for fuel system safety, said that if the same problem occurred on other 737s, there would be "a potential for fire or explosion if conditions are right."

Officials said that they were confident that the possible risk to passengers in the next week was small, but that they would take further action if the inspections turned up new problems.

Continental Airlines mechanics, looking for a fuel leak on a 737, discovered pinholes in a metal pipe covering high-voltage electrical wires going

The pipe is supposed to prevent the wires from coming into contact with fuel or fuel vapors, Boeing engineers said.

These holes appeared to be the result of electrical arcing, or sparks, providing the first direct evidence that this could happen in pipes leading

Investigators have been examining why the center fuel tank exploded on Trans World Airlines Flight 800 in 1996, killing all 230 on board, but thus far have not settled on a cause. Thursday's orders are the latest in a series of

The agency's action comes several days after actions that stem from the TWA inquiry. But both be required to add new insulation to high-voltage the FAA and Boeing discouraged speculation that a similar problem could bave led to the TWA 800 explosion.

and his victim's family.

High-voltage wires run only to wing fuel tanks, not the center fuel tank that exploded on

The aviation agency theorized earlier, however, that a fire in a wing tank could travel via wing vent tubes out to wing tips, then back to the The order requires a detailed inspection of the

wiring and replacement of any damaged components. An extra teflon sleave must be wrapped around all high-voltage wiring, which already has one layer of teflon insulation.

The aviation agency also ordered that all 737s

fuel-tank wiring, but on a more relaxed schedule because problems now cropping up appear to be related to age as measured in flight time.

In addition, the agency ordered less onerous inspections of fuel tank wiring in 264 Boeing 747s and 231 Boeing 767s to be certain that insulation was properly installed.

Those inspections were ordered because earlier inspections found one 767 conduit had no tetlon insulation at all. The agency said it was unable to determine whether the omission was a maintenance problem or a manufacturing prob-

New-generation 737s, just now being built, are unaffected because they do not have high-voltage wires inside their fuel tanks.

Sybil Connolly, Fashion Designer, Dies

NEW YORK - Sybil Connolly, who designed the linen dress that Jacqueline Kennedy wore in ber White House portrait and elevated Irish design to high fashion, died Wednesday of a heart attack in Dublin. She was 77.

Miss Connolly, whose popularity spanned almost a half century, brought her collection to New York in 1953. She introduced gossamer band-pleated handkerchief linen; spidery Carrickmacross lace and a sophisticated palette of hand-woven Irish Donegal tweeds. She was an early exponent of soft and casual clothes when Parisian designers were featuring rigid construction.

Miss Connolly was an active designer until her death. For many years, most of her designs were sold in the United States to scores of socialities, many at private showings. She also received clients at ber 270-year-old mansion on Merrion Square in Dublin.

J. Gordon Lippincott, 89, Logo and Product Designer

New York Times Service 12 J. Gordon Lippincott, 89, an engineer and logo specialist who belped design the Campbell soup label, the Tucker

Torpedo automobile and the inside of the Nautilus nuclear submarine, died April 29 in North Haven, Connecticut. When Joshua Gordon Lippincott, an

engineer by training, joined forces in 1943 with Walter Margulies, an architect, the two men were boping to make their mark through product design. They succeeded quite quickly. They designed hotel restaurants, changed the silhouettes of typewriters and selected colors for dishes. Three years after they started their company in New York, they received the Campbell packaging assignment.

Mr. Lippincott remained intrigued by design challenges. These included a task presented to him in 1947, when Prestoo Tucker asked for help styling the Tucker Torpedo, an automobile with a radical design. What emerged was a sleek vehicle Mr. Lippincott referred to as the Tin Goose. The ultimate failure of Mr. Tucker's dream car, which was the subject of a 1988 movie, came about when Mr. Tucker could not fulfill orders.

Alan Simpson, 85, Ex-President Of Vassar in 1960s and '70s New York Times Service

NEW YORK - Alan Simpson, 85, the zona.

president of Vassar College in the tur-bulent 1960s and '70s whose easygoing charm, wit and scholarship helped him weather not only a time of student protest but also the admission of men to the formerly all-women school, died Tuesday of pneumonia in Lake Forest, Illinois.

Like many college presidents of the era, the Oxford-educated Mr. Simpson became embroiled in student disputes over the Vietnam War, race, sex and coeducation. In 1969, he helped peacefully conclude a sit-in by a group of 35 students who were demanding an expansion of black studies programs.

In the mid-1970s; he defused a demonstration after the removal of the student editor of the college yearbook for attempting to publish photographs of nudes and, far more offensive in Mr.

Simpson's view, for going over budget. His toughest challenge was handling the transition from an all-female student body to full coeducation in 1969. He served as president of Vassar nntil 1977.

Charles P. Arnot, gl, a former ABC foreign correspondent who covered the world's turmoil from World War II to Vietnam, died April 24 in Prescott Ari-

Mexico to Curb Rights Bloc Italian Delegation Went to Embattled Chiapas

By Julia Preston New York Times Service

TANIPERLA, Mexico - The government has announced that it will expel most members of an Italian buman-rights delegation from the southern state of Chiapas after they disobeyed immigration authorities

and caused a melee in an Indian village.

The defiance Thursday of the 134 Italians widened the confrontation between Mexico and international nongovernmental groups over the work of buman-rights ob-

the government several substantial reasons to say that they overstepped their bounds.
"We don't want revolutionary tourists in Mexico," said a deputy interior minister, any experiments with human-rights obserbe allowed to go farther.

vation.' porters of the government in their fight with happening there. We must find out."

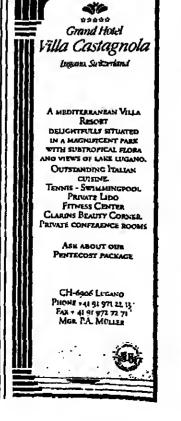
Zapatista rebels. The Italian delegation includes four members of Parliament from left-of-center parties, representatives of several large city councils and a Roman Catholic priest. But most of its members are students and other young people who support the Zapatistas' cause and have no special expertise in buman rights.

On Wednesday, the delegation announced that it would make the grueling road trip to Taniperla in a convoy of buses even though the government did not explicitly authorize travel there. In a practice servers in this country.

However, the Italians appear to have given that many rights groups question, the government has been placing restrictions on the

places that observers can visit in Chiapas. At midday on Wednesday, the convoy was stopped at an immigration checkpoint. Officials said that because of security risks Fernando Solis Camara, "We don't want only 10 members of the delegation would

'We decided that we are all willing to The Italians clashed with the immigra- face the security risk," said Federico Marition anthorities in their drive to get to ani, a spokesman for the delegation. "If the Taniperla, a Tzeltal Indian village, which government says it cannot protect our safety. troops occupied in April to help local sup- in that village, something terrible must be



Agence France-Presse

JAKARTA -- At least 60 people were injured in Central Java on Friday as thousands of students nationwide defied calls to abandon demonstrations urging an end to President Suharto's rule.

The police fired tear gas and rubber bullets to break up a protest by stone-throwing students in front of the 11 March University in Solo, Central Java. Streams of ambulances carried the wounded to hospitals.

We have about 60 injured students here, four of them seriously injured," said Dr. Basuki, an emergency ward physician at the Muwardi state hospital. Most of the injuries were said to be from tear gas and beatings.

A witness said more than 2,000 students had taken cover behind the walls of the university, throwing stones at about 200 police officers. A university security guard said the protest was the largest so far in Solo. 600 kilometers (375 miles) southeast of Jakarta. The protesters dispersed when darkness fell.

The violence in Solo also was the worst in a day of protests nationwide. Thousands of students rallied at universities across the archipelago, brushing aside a plea from the military chief, General Wiranto. He said Thursday that after mooths of dissent the military, which has a political role under the Constitution, had the received message

Essentially, all have agreed that we need these applause broke out among about 300 studeots.

reforms," General Wiranto said, urging students to drop the protests and take part in the process of political change. But the plea went unheeded as students continued their calls for Mr. Suharto to end three decades of authoritarian rule.

In Ujung Pandang, in South Sulawesi, about ,000 students drove though the town in a convoy. protesting fuel price increases of as much as 71 percent. The price rises occurred Monday, residents said, as part of austerity measures prescribed by the International Monetary Fund. On Thursday, clashes in Ujung Pandang between students and the police left five people wounded.

In Surabaya, East Java, about 2,000 university students marched in the streets. Witnesses said they converged on the state-run Airlangga University to hear speakers call for Mr. Suharto's resignation. Students at the IKIP Teachers University in

Jakarta held a mock trial and burned an effigy of the president. 76, as three truckloads of armed security forces kept guara. The extraordinary people's coun declares the

defendant Suharto guilty of the crimes of murder, robbery, corruption and collusion, et cetera, and sentences him to death." one of the students said. As the effigy weot up in flames, loud cheers and

Pius Lustrilanang, before giving testimony in Washington.

Indonesian Tells of Being Tortured

By Tim Weiner New York Times Service

WASHINGTON - Pius Lustrilanang, a student activist, says he was kidnapped at gunpoint on Feb. 4 at a bus stop in Jakarta, Indonesia's capital, blindfolded, driven outside the city and placed in a cell, naked.

Before the first electric shock, he says, he heard no human rights. All you have to do is answer our questions. Some people leave here alive. Some don't. They are never found."

His questioners were military men who went about their work methodically and patiently, Mr. Lustri-

"They tortured me to get information, not merely for pleasure," he said in an interview, his first since he fled Indonesia almost two weeks ago. "They wanted to know the constellation of the opposition, the alliances between different leaders.

They threatened him with death, he said, and warned him that if he wanted to live after his release, he should stay silent forever.

Mr. Lustrilanang was one of about 50 Indonesians who have disappeared in the last three months, apparently into the hands of the Indonesian security forces, according to the nation's leading legal aid

Make Some Gain The Indonesian government acknowledges that there have been disappearances among the political. opposition; some Indonesian officials have suggested that they are the work of vigilantes or criminals. But opponents of the government have suffered death, torture and jail for their beliefs at the hands of the government, the State Department says.

Mr. Lustrilanang, 30, and leader of a prominent one interrogator say: "Here there is no law. There is student group opposed to President Suharto, was held for two months and then released after international pressure on the government. He arrived in the United States on Wednesday night, and testified Thursday at a congressional hearing.

As Indonesia endures the worst political and economic crisis in the 32-year reign of Mr. Suharto, the Clinton administration is straining to separate questions of political freedom and human rights from economic support. On Monday the administration expressed support for resuming financial aid to Indonesia through the International Monetary Fund while simultaneously voicing concern about the kidoapping of dissidents.

Mr. Lustrilanang said Thursday that the issues are. inextricable. "Any aid to the Suharto regime should be stopped because it only props up his dictator." he said. If aid continues, he said, "there should be conditions: political reforms, human

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Rattled Carmakers Ke Continued from Page I

the best of how a car company every said this past week's merger understone. Toyed the best of concern that Japan, which has I the best of concern that Japan might be made. A Concern that Japan might be reason of the outdoors down carrackers which make a few Japanese car probachine about this with former car prethanking ahead largely on their own.

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all his beginning hards with foreign car
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After Centuries, a Mayor for London

Eonservatives Make Some Gains in Local Council Elections

By T. R. Reid

LONDON - Final results on Friday showed voters giving overwhelming approval - 72 percent of the votes cast to a referendum that calls for a central governing authority and an elected may-or for this metropolis of 7.5 million, the capital city since the Romans founded

Londinium two millennia ago.
Except for the appointed Lord Mayor, a ceremonial figure, metropolitan London has not had a central city government of its own. Public functions are split among the national government and 32 local "boroughs," making citywide cooperation difficult.

The referendum was one of many local ballots held on Thursday, most for members of city or county councils, and political analysts struggled, inconclusively, to draw outional political lessons from a patchwork of results that seemed to have no particular pattern.

By Thomas W. Lippman
Washington Pust Service

WASHINGTON — Anger over U.S.

pressure on Israel has not seriously un-

dermined support for the Clinton ad-

ministration in the American Jewish

Despite criticism by Republicans and

some other supporters of Israel of the

administration's decision to invite Prime

Minister Benjamin Netanyahu to Wash-

ington only if he accepts U.S. terms for new Israeli troop pullbacks on the West

Bank, several Jewish leaders said that

the chance that the latest U.S. maneuver

Anti-Defamation League. He said the

administration's tactics were "more a

'I don't think it's a crisis,' said Abjaham Foxman, national director of the

would turn out favorably for Israel.

Israeli Lays Claim

To Auschwitz Site

Agence France-Presse

woman says she has papers proving that she is the rightful heir to part of

the land on which the Nazis built the

The woman, Tzippora Franck, 63, who lives at Hedera, north of Tel

Aviv, said in an interview published hy Ha'aretz that she had recently

traveled to Poland to clarify "this

said. Her mother told her a few years

She said she had verified it hy

consulting old Polish legal docu-

meots. The contents of the docu-

ments were backed up by aerial pho-

Her grandfather owned a tar paper

factory on the site. His land was

confiscated by the Nazis after Poland

tographs taken by Allied troops.

was invaded in September 1939.

"My parents preferred to keep this

Auschwitz death camp.

cursed inheritance.'

ago, she added.

Tenli)

JERUSALEM - An Israeli

community, according to its leaders.

Jews Stand By Clinton

Israel Policy Not Costing Him U.S. Support

they continued to support the negoti-ating process itself. They also held out similar to that of the House speaker,

Overall, the Labour Party of Prime the ground they lost after their crushing Minister Tony Blair appeared to hold its dominant position on local councils, but was running slightly behind its strong performance in the last election. The chief opposition party, the Conservatives, seemed to have gained a few percentage points. The Conservative Party is in such disarray that any increase would be welcome news.

Labour voiers, confident in their electional total superiority, appeared to stay away from the polling stations and lost 90 seats. The party was in danger of losing control of Mr. Blair's former home borough of Islington, north London.

The Liberal Democrats lost about 100

■ Low Turnout for Council Test

Only one in four voters bothered to turn out Thursday for what was Labour's first hig electoral test since the general election a year ago, and there were almost equal triumphs and selbacks for the three main political parties, Agence France-Presse reported.

Results from 166 council elections showed Labour polling 38 percent, Con-servatives 32 percent and the Liberal Voters had sent a message Democrats 25 percent

They also showed that the Conservatives have begun to recover some of

factor of frustratioo" at the stalemate in the peace talks "than of conscious, de-

groups' unease with the administration's

approach, leaders of major U.S. Jewish

organizations took up a motion Wed-

nesday night, urged on by Israel's am-

hassador to the United Nations, to issue a

public criticism of the Clinton admin-

istration. The motion failed by a wide

Jewish organizations. None of the Jew-

Newt Gingrich, Republican of Georgia,

who accused Mr. Clinton of "hlackmail" of Israel and of allying himself

with Yasser Arafat at Israel's expense.

peace negotiations," said Mandell Ganchrow, president of the Union of

Orthodox Congregations, who offered

the censure motion that failed to win

approval in the Conference of Presidents

of Major American Jewish Organiza-

tions. "My problem is the method and the

Mr. Ganchrow said that Mr. Clinton's

position amounts to, "'Here's my ad-

dress in Washington. You sign, you can come. It's a violation of our agreements

with Israel, both in spirit and in fact," he

continued, citing a stipulation by Warren Christopher, a former Clinton secretary of state, that Israel would be the sole

arbiter of the scope and timing of its

among U.S. Jews of the Netanyahu gov- fection shows up for the first time.

troop redeployments.

fund-raiser.

public perception that this is pressure."

"I take no position on the merits of the

Congressional critics of the president appeared to be taking a harder line than

margin, according to participants.

In an indication of the limits of Jewish

liberate hullying.

geoeral election defeat last May, gaining more than 250 seats.

Labour voters, confident in their elec-

seats but won control of the metropolitan council of Liverpool, ooce a traditional Labour heartland, in northwestern Eng-

Mr. Blair minimized Labour's losses Friday. He said the results were "very good" for a sitting government and claimed the Conservatives were "more or less at a standstill."

But he admitted that there "is a lesson Voters had sent a message that where

good, dynamic, New Labour counwere delivering good services, people would turn out to support them.



Prime Minister Tony Blair addressing the press Friday after Londoners voted overwhelmingly for an elected mayor and central government.

Labour's share of the overall vote in Thursday's polls was 6 percent less than us 44 percent score at the May 1997 general election. But a recent Mori opinion poll showed that 55 percent of eleciors still preferred Labour to govern.

Wells in the traditional Conservative performance in the 1994 local elections.

heartland of southern England. The Conservative Party chairman, Lord Parkinson, said: "We are starting to win again. We have started the recovery."

But with national support of only 32 conservatives welcomed the party's percent, the Tories were marginally below their 1997 general election score of recapture of towns such as Tunhridge 33 percent, while ahead of their disastrous

BRIEFLY

Pakistani Police Fire At Bishop's Mourners

FAISALABAD, Pakistan Pakistani policemeo fired into a crowd of 2,000 stone-throwing mourners on Friday as the demonstrators marched . with the body of a Roman Catholic bishop 10 protest religious discrimination.

Three people were hospitalized with hullet wounds after the shooting in Faisalabad, 240 kilometers (150 miles) south of Islamabad.

This was the second day of protests demanding repeal of a law that bans hlasphemy against Islam. The demonstrations were ignited by the death of Bishop John Joseph, who killed himself, on Wednesday to protest a death sen-tence given to a Christian convicted un-

Bishop Joseph, 66, a noted humanights campaigner, shot himself in the bead in the courthouse where Ayab Massih was tried and semenced to death

Japanese Bully, 17, Jailed Over a Suicide

TOKYO — A family court sent a 17-year-old boy to a reformatory on Friday for tormenting a younger boy into hanging himself, ruling that schoolyard bullies can be held responsible if their victims commit suicide.

Judge Keiko lijima of Chiba Family Court said the older boy assaulted and extorted money from Yoshiyuki Suzuki, a 14-year-old student who killed himself in his family's home in Narita, just east of Tokyo, in March.

The judge was quoted as having said that the bully's "persistent threats" drove the younger boy to suicide. The boy was allegedly threatened with a knife, punched and hurned with a cig-

Bullying is a major concern in Japanese schools, where childreo face immense pressures to perform well in competitive tests and conform with their

Macau Firebombings

MACAU — Firebombs wrecked 14 cars, 8 motorcycles and 2 shops in the Portuguese enclave of Macau on Friday in suspected attacks by Chinese triad gangs, the police said.

They reported no casualties in 22 firebomh attacks, the latest violence in a wave of killings and bombings in this casino town on the southern China,



Ukraine Marks the 53d Anniversary of Victory Day

A Ukrainian boy placing flowers on a monument Friday in Kiev as part of the 53d anniversary of the victory over Germany in World War II. Ukraine, along with the other former Soviet republics, officially marks Victory Day on Saturday.

PLAGUE: Black Death of 14th Century Caused a Mutation That Keeps AIDS at Bay

Continued from Page 1

become very common. In general, none But others said that the pressure from is carried by more than a fraction of 1

Mr. Clinton was oeeded to hreak an percent of a population at any time. impasse in the peace oegotiations that But if by chance a neutral mutation did not serve Israel's long-term interests. carries a hidden benefit, such as the CCR5, a receptor on the surface of im-In part, their cootinued support for the ability to resist a fatal infectioo, things mune system cells called macrophages. administration reflects divided views can change dramatically when the in-

ernment and its policies toward the Pala greater chance of dying than people infect the cells. carrying it. When the epidemic is over, "This administration has been the best friend Israel has had in many, many the the "population frequency" of the mutation will be higher than before. Perdecades," said Stan Chesley, a prom-inent Cincinnati lawyer and Democratic haps 10 percent to 20 percent of all "Nothing has been

people will carry it.
Mr. O'Brien, two colleagues at the

National Cancer Institute, J. Claiborne numbers of CCR5 receptors on their responsible for bubonic plague also at-Stephens and Michael Dean, and their macrophages. They can be infected with tacks macrophages. Yersinia pesn's binds collaborators, believe such a scenario HIV, but if that happens, they tend to to their membranes and injects toxins explains the relative commonness of a mutation called "CCR5-delta 32."

The mutation occurs in the gene for The AIDS virus uses the CCR5 receptor as a molecular "docking bay," permit-People lacking the mutation will have ting it to land on, attach to and ultimately

> People devoid of the receptor - a condition that occurs when someone inherits the mutant gene from both parents - are essentially immune to HIV infection. People with one mutant and one normal version have fewer than normal

whites of European origin carry either one or two copies of the mutation. It is most common among Swedes, among whom 14 percent of people have it. The mntation becomes less common as one moves south and east from Northern Europe, declining to 4.5 percent among Greeks and 2 percent among Central Asians. It is absect in East Asians, Af-

ricans and American Indians. Like the AIDS virus, the bacterium

Continued from Page 1

that more women were reporting such

in Warsaw says there has been a steady

rise since then on the number of reported

Polish family is being peeled back, and

incidents of domestic violence.

POLAND: Brutality Becomes Public Issue

have a longer, more indolent course of into their interiors, disabling the cells' the disease than people with two normal crucial role in marshaling the body's . Slightly more than 10 percent of known is whether the bacterium uses the CCR5 receptor in doing this.

"We're going to try to put this to the test," said Stanley Falkow, a microhiologist and plague researcher at Stanford University.

He and Mr. O'Brien's team plan to take cells from people with normal CCR5 genes, and from people with one or two copies of the gene, mix them with Y. pestis and see if there is a difference in the number of cells that become infected.

ISRAEL: 'No Way' to Meet U.S. Deadline

Continued from Page 1.

ernment as angry over the pressure being exerted on it.

The American ultimatum, he said, viplated the "note for the record" signed by a former Clinton secretary of state, Warren Christopher, in January 1997. affirming that Israel was responsible for determining the scope of any withdraw-

Mr. Bar-Ilan also pointed to the policy of previous American administrations in recognizing that Israel alone determined its security requirements.

He said that another source of "unease" was the statement by Hillary Rodham Clinton on Wednesday supporting the establishment of a Palestinian state.

The president's wife made the comments in a broadcast to a youth conference in Switzerland; her spokeswoman said they reflected her personal opinion

and not a change in American policy.

Now we are perfectly willing to accept the explanation that this was only her opinion, but obviously the regioo and the world will not accept it as Europe then.

something that's just the private opinion of the wife of the president," Mr. Bar-Han said.

"It will be interpreted as administration policy, and as such it does irreversible and very lasting damage because it preempts our ability to negotiate the issue in final-status talks.' It was not immediately clear whether

such comments were intended to prepare the way for a rejection of the American proposal or to convince Mr. Netanyahu's constituency at home that he was angry and combanive as he prepared to

There were reports that Mr. Ross was working on various face-saving formulas in which some of the territory trans-ferred to the Palestinians would remain under some form of Israeli control.

The Palestinians have accepted the proposed 13.1 percent, but have been adamant that it not be reduced.

Mr. Netanyahu is scheduled to be in Washington in any event on Wednesday, but Mr. Clinton is scheduled to be in

German Legislator **Was Spy, Panel Says** The Associated Press

BONN — A leader of the former East German Communists spied for that country's secret police for years, a lawmaker panel investigating the

politician's past ruled Friday.

The politician, Gregor Gysi, parliamentary leader of the Party of Democratic Socialism, rejected the panel's report as a politically moti-vated "flat-out lie" and said he would ask Germany's constitutional court to block any parliamentary debate oo it.

Mr. Gysi, 50, has steadfastly rejected the charges that be informed on dissidents under communism including several he represented as attor-

The German Parliament's immunity committee voted, 15 to 2, to pass a damning report that prompted calls from Chancellor Helmut Kohl's party and the opposition Social Democrats that Mr. Gysi give up his leg-



Gregor Gysi, 50, who rejected the committee's charges Friday.

The report could also touch off efforts in Parliament to lift Mr. Gysi's immunity from prosecution if prosecutors decide there is enough evidence to open a criminal investiga-

rights center.

There is no hattered women's shelter part because of the influence of the Roman Catholic Church. The police, pros-ecutors and the public remain bound by old stereotypes that the man is king in his own house.

The new right-of-center government is unsympathetic. The state minister of family affairs, Kazimierz Kapera, says scarce money for family services should be spent oo keeping families together rather than helping battered women. He recently suspended a program offered hy the United Nations Development Program for the training of psychologists, and lawyers in how to treat victims of

domestic violence in Poland.

"Though people in Poland are recognizing violence more and more, it is still very difficult to get a witness in court," said Ludmila Tomaszewska, a prosecutor in the appeals court. Often a witness will come and say, 'I didn't hear

anything.'''
Traditionally, women are expected to marry early in Poland, and submit to their husband's will, even if that means harsh physical abuse. A recent survey showed that 60 percent of families accepted corporal punishment as a way of scolding their children, a practice that can carry over to violence against wives, sociologists say. Heavy drinking, encouraged hy subsidized vodka prices under communism, has compounded the violence, particolarly in the coun-

The Women's Rights Center, staffed by four lawyers and a part-time psychologist, advises women oo their legal rights and offers counseling. While there are no shelters in Warsaw for battered women, a shelter has been established

that there were vacant rooms recently.

The lack of shelters combined with the economic dependence of Polish incidents. The Women's Rights Center women on their husbands and an acute housing shortage in Poland makes leaving home almost impossible.

Thus, Bozena's predicament of living Even as the facade of the cohesive in the same apartment with a husband she fears despite the criminal case she Polish women are finding courage to has brought against him report battering, they face considerable norm, than the exception. has brought against him is more the

obstacles, according to Ursula "It's not like in the American movies Nowakowska, a lawyer who heads the I see on television, where the woman packs up and leaves," Bozena said as she served instant coffee in her room in Warsaw. Divorce is still hard to get, in away from the kitchen where her husband kept his things.

"I'm separated from him by a wall and a locked donr." She does everything she can, she said, to minimize contact with him in the 18-

square-meter (200-square-foot) apart-

IRS: Senate Wants Change

Continued from Page 1

power and oot enough sunshine," Mr. Roth said. "There needs to be a cultural shift within the agency. This legislation will provide a catalyst for that change." The hill now heads for conference

with the House, which passed a less wide-ranging measure last fall. That bill would cost an estimated \$2.6 hillion over five years. The hill emerged after two widely publicized sets of hearings before the

Senate Finance Committee at which an array of taxpayers and IRS workers recounted stories of abuses by the agency. The hearings brought an ootpouring of public support for drastic change.

But the furor generated by the hear-

ings was not the only factor driving the legislation. More than a year ago, it became clear that the IRS had been unable to modernize its computer systems despite the expenditure of more than \$4 billion. Moreover, some conservatives on Capitol Hill have been seeking to throw ont the current tax system entirely and replace it with some in Krakow. But it has such strict rules form of consumption tax, such as a naabout when women can come to stay — tional sales tax or value-added tax, or they cannot arrive at short notice — with a one-rate "flat" income tax.

IAPAN: Rattled Carmakers Keep Hope in Face of Merger

Continued from Page 1

start its own bank or buy a car company overseas. Yes some government officials and auto executives acknowledged that this past week's merger underscores a trend soward consolidation that Japan, which has 11 carroakers, has resisted. Concern that Japan might be threatened or left out drove down carmakers' stock prices, except for Mitsubishi Motors Corp., which has a tie-up with Chrysler. While a few Japanese car producers, like Mitsubishi, have links with foreign companies, most are marching abead largely on their own.

onles, most are marching abead targety on their own.

"The environment is ripe for mergers, but they don't seem to have the urge to merge," said Peter Boardman, an auto analyst at SBC Warburg Japan Ltd.

"The Japanese will wait until they are backed against a wall, and usually it's too late then."

Even Toyota has been reluctant to lose its inde-pendence. "I don't think Toyota would rush to buy pendence. I don't mink Toyota would rush to buy anything unless it finds a good bargain," said Takaki Nakanishi, an analyst at Merrill Lynch Japan Ltd. Mr. Nakanishi said that joining hands with foreign carmakers could be a painful process for Japanese compamakers could be a partitude process for saparese companies, with their protective labor practices, different production technologies and strong company cultures. "An acquisition sounds cheaper, but actually it may not be

cheaper than huilding from scratch," he added.

and industry, indicated that capital tie-ups between Japanese and Western car companies are "very likely."
And a statement issued by Hiroshi Okuda, president of Toyota, said that "competition oo the world arena can only intensify further from this point forward."

The Daimler-Chrysler combination, however, also raises the possibility that infficiencies will begin to conjust however and the possibility that in formation is the possibility that the possibility t

seriously hamper automakers in Japan so that car plants like Nissan's in Natsushima may someday be consumed in the great global restructuring of the auto industry.
"From now on, it will get harder and harder for

Japan to survive," said Minoru Shibuya, a 47-year-old electrical engineer, as he left work at Nissan's factory compound. "Only two Japanese companies can sur-vive. One is Toyota. The other is Honda."

That grim prognosis has some employees, like Mr. Shibuya, worned about the future of Nissan, the nation's second-largest producer. While Nissan is expected to show a slight profit in the year that ended March 31, it has a stunning burden of debt that has swelled to \$30 billion and North American sales are lagging.

That explains why a colleague of Mr. Goto's, a 51vear-old former chassis team leader in the Nissan factory, looked so glum when the topic of the merger came said.
up. "I am worried that some changes, like tie-ups with No foreign companies, will happen that will change my life at work or change the welfare system of the company," heaper than number of the company,"

Others suggested that change could touch Japan. he said. "Maybe a foreigner will get a seat on the board Others suggested that the same of directors, or even become president!"

Osamu Watanabe, deputy minister of international trade of directors, or even become president!"

U.K. Cuts Police Registration,

LONDON — Britain said Friday that it was relaxing a rule dating from the early 1900s that requires most foreigners to register with the police. The Home Office minister, Mike O'Brien, said there

was no need for large numbers of non-Britons to The changes will save more than £500,000 (\$825,000), he said.

Among those exempted will be citizens of the United States and Japan. Citizens of most Enropean countries have not been required to register since 1983. The Home Office said the change, effective Monday, would exempt about three-quarters of the noo-Britons

who are now required to register. Citizens of 56 countries will still have to register, but only if they want to stay and work for longer than six months. Previously, the limit was three months. Citizens of Easl European countries, including the

former Yugoslavia, and of countries of Africa south of the Sahara, will no longer have to register, officials Nor will refugees, regardless of where they are

Police registration of non-Britons for security reasons started before World War I amid concerns about German spies.

Naples Revisits Bourbon Art

Exhibition Focuses on Little-Known 19th-Century Culture

By Roderick Conway Morris International Herald Tribune

APLES - The Bourbon dynasty's rule in Naples was memorably described by a contemporary Italian journalist as "the negation of God erected into a system of government." The phrase was taken up by the English politician William Gladstone, who in 1851 witnessed show trials of the regime's opponents -a depressingly regular occurrence during the years of Bourbon absolutism, which invariably ended in multiple executions, imprisonments and further repression.

After the Bourbons gained control of Naples in 1734, their principal artistic legacy to the city lay in transferring from Parma the magnificent Farnese collection of classical and Renaissance sculpture and paintings, which they had inherited by marriage and played no role in huilding up. In addition, after 1748 their excavadoo of Pompeii and other sites brought to light an unimaginable trove of ancient finds.

The development of the arts in Bourbon Naples has received little attention even in Naples itself, so a large-scale survey, "Culture in the 19th Century: From the Bourboas to the House of Savoy," is welcome.

The main show is located at the impressively restored Capodimonte Museum, where the Farnese paintings are also housed, set in a palm-dotted park on a steep hill overlooking the Bay of Naples. Addioooal smaller exhibitions on architecture, town planning, music, illustrated books and so on are held at various veoues around town until May 31. If the momentum for revitalizing the

city's museum scene can be maintained, many of the key pieces here should be permanently on display in future.

In general, the Bourbons' taste followed the fashions of French and European courts, though some Bourbon 18thcentury palaces, landscaped gardens and parks, notably Capodimonte and Caserta, are fine examples of their kind.

The interlude of Bonapartist rule, from 1806 to 1815, during which the Bourbons fled to Sicily, was extraordinarily influential in the decorative arts, considering its brief duration.

Napoleon first installed his brother Joseph as King of Naples and, two years later, his brother-in-law Joachim Murat Murat and his wife Caroline took a strong personal interest in the visual arts and initiated an extensive program to transform the interiors of the royal palaces. Murat also increased the funding of art schools and promoted exhibitions.

The Empire style was at the height of its popularity and it was giveo a special spin here, with Pompeii close by. Among the most striking exhibits at Capodimonte are furnishings incorporating genuine ancient bronzes and marble, including a huge round table with a Roman mosaic top and modem marble supports, and a side table resting on a bronze tripod from Herculaneum. Many new pieces were made imitating antique originals. Interestingly enough, when the Bourbons made their comehack after Waterloo, they tended to leave these Bonapartist interiors and

furnishings as they found them. Naples had a considerable community of local and foreign artists earning a living hy selling views of the Bay of Naples, Vesovius, Pompeii and char-

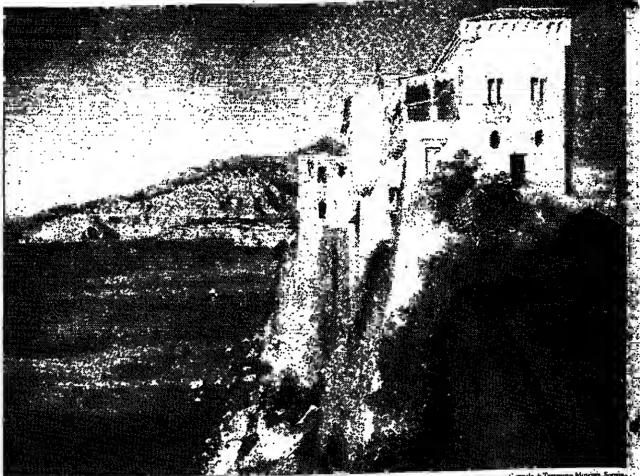
acteristic local sights. Out of this cottage industry emerged the School of Posillipo, whose leading exponeots, operating outside the conservative constraints of the Academy, left some pictures that are both truly Neapolitan and rank among the best landscape painting of the last century.

Like the term Fauve, the expression Posillipo - from the name of the promontory to the west of the city that offers spectacular views of the bay. Vesuvius and the islands of Ischia and Capri - was originally dismissive, apparently used by loftier members of the Academy to denigrate the efforts of what they considered a ragbag of street artists serving the needs of passing tourists. In time, however, the label became a mark of distinction.

HE founder of the Posillipo School was a Dutchman, Antoon Sminck Pitloo, who settled in Naples in 1816. His star pupil was Giacinto Gigante (1806-76).

Both Pitloo and Gigante were influenced by Turner. The best Posillipo paintings, dooe directly from nature in a variety of often mixed media - pencil. pen, ink, watercolor and tempera combine spontaneity with exact observation and stunningly capture atmospheric lighting effects.

Pitloo died during the cholera epi-demic of 1837, hui left his mark on several distinguished followers, including Eduardo Dalbonn and Tendoro Duclere. Gigante, who had become a hit with resident and visiting Russian aristocrats, was eventually summoned to court in 1850, became art master to the Bourboo princesses and was knighted.



"House of Tasso. Sorrento" by Teodoro Duclere. a follower of Pitloo, who founded the Posillipo School,

In 1860, in his brilliant lightning campaign against overwhelming numerical odds. Garibaldi and his 1,000 "Redshirts" swept the Bourbons from Sicily and then Naples, and handed the Kingdom of the Two Sicilies on a plate to the

House of Savoy's Victor Emmanuel II. The heroism and self-sacrifice of the Garibaldian spirit is captured in a later canvas. "The Breaching of Porta Pia,"

by a Neapolitan, Michele Cammarano (1835-1920), on the storming in 1871 of the gate in Rome's walls, which ended the Popes' rule and brought the ancient capital into the new unified Italy. This enormous and exhilarating painting is placed alone at the far end of a large, otherwise darkened room, and as one walks toward it, the charging front rank of the shock troops seems actually to he

in motion, hurtling toward the viewer. Cammarano painted this splendid work, which closes the exhibition, on his return from Paris, much affected by Delacroix, Gericault and French Romantic art. Though Naples continued in the post-unification period to give rise to local schools of art, it was to Paris, by then the dominant force, that most Neapolitan artists looked for inspiration.

BOOKS

IDENTITY

By Milan Kundera. Translated by Linda Asher, 168 pages. HarperFlamingo. Reviewed by

Christophet Lehmann-Haupt IEWED superficially, the acoon of Milan Kundera's com-

pact new oovel, "Idenoty," is simple, almost farce-like, While vacationing at a hotel in Normandy. Chantal, who has divnrced her hushand after the death of their 5-year-old child, is amused to note how all the men "have daddified themselves." She reflects, "They aren't fathers, they're just daddies, which means: fathers without a father's authority." She's sure that if she tried to seduce one, he would hiss, Leave me alooe, I'm husy.

When she is inined at the hotel by her lover, Jean-Marc, who is four years younger, she complains to him half-jokingly, "Men don't num to look at me anymore." Back at their Paris apartmeot, Jean-Marc, who has taken Chantal's complaint seriously, decides that because she is obviously feeling older, "what she oeeds is not a loving gaze hut a flood of alien, crude, lustful looks settling on her with no goodwill, no discrimination, no tenderness or politeness." So he begins to send her anonymous letters describing himself as someone spying on her and finding her "beautiful, very beautiful."

Although the letters at first serve to inflame the couple's lovemaking, ultimately they backfire. Through a complex process, Chantal and Jean-Marc suffer what might be called the shameful objectification that Kundera has described elsewhere as a threat to all of us in the intrusive modern era. As a result, the two become estranged from each other, losing their identities as lovers.

Of course the novel is far richer than this summary suggests. The main action is repeated in miniature throughout, al-

most as if the story were constructed of modules. For instance, while Chantal waits for Jean-Marc to join her at the Normandy resort, she overhears two waitresses discussing a popular television program about people who have mysteriously disappeared called "Out of Sight," and she imagines the horror of losing Jean-Marc "that way someday." And several times in illogically different settings, she encounters a young tattooed man who seems to threaten her sexually.

The novel is full of expressions of the paradoxical feelings so typical of Kundera's longer, more expansive oovels like "The Book of Laughter and Forgetting," "The Unbearable Lightness of Being" and "Immortality." For in-stance, one day while the two of them are eating lunch. Chantal is overcome by "a feeling of unbearable nostalgia for Jean-How could this happen in his presence? It can "if you glimpse a future beloved's death is, invisibly, already present." At this moment, she thinks of her dead child and is flooded with a wave of happiness, because it is his death that has made her presence at Jean-Marc's side "ahsolute." She does not disclose

HE book contains its share of Kundera lectures on the modern era. "How is friendship born?" Jean-Marc asks Chantal. "Certainly as an alliance against adversity," he confinues. But "maybe there's no longer a vital need for such an alliance.

this reaction to Jean-Marc because she

fears "he would see her as a monster."

"There will always be enemies." re-

ioins Chantal. "Yes, hut they're invisible and anonvmous. Bureaucracies, laws, responds Jean-Marc. "Friendship can no longer be proved by some exploit." He concludes, "We go through our lives without great perils, but also without friendship."

Despite all these earmarks of the typical Kundera novel, "Ideotity" remains the most compact and integrated of his receot ficcions. In its hrevity and unity of plot it surpasses even his previous book. Slowness," his first to be written in French instead of Czech and shorter hy half than his best-known works.

Does this mean that he has renounced the polyphonic novel with scramhled narrative and multiple authorial voices that has typified his major work? Or is 'Identity" going one step further than 'Slowness," where he seemed to be suggesting that form is both more liberating than its opposite and finally inseparable from content?

One clue is that by writing in a form that goes against one's expectations. Kundera has forced the reader to take nothing at face value, but instead to see as tricks what in other writers' works one might view as the straightforward meaning of "Identity" keeps collapsing into its opposite like an optical illusion that can be seen two different ways.

The effect is like a film clip that is shown at the ad agency where Chantal works. "On the screen is a behind in a horizontal position, good-looking, sexy. in close-up. A hand is caressing it tenderly, enjoying the skin of this naked. compliant body. Then the camera pulls hack and we see the body entire, lying on a small bed: It is a bahy, with its mother leaning over it. In the next sequence she lifts him up and her parted lips kiss the lax, wet, wide-open mouth of the nursling. At that instant the camera draws in. and the same kiss suddenly becomes a sensual love kiss." As with the lovers perceptions of each other in this arresting, slightly frightening story of ideas in opposition, everything depends on a slippery notion of identity that can change from one paragraph to the next.

New Yes France Service

Picturing Bali in a New Light

as for the alchemic power of light.

By Margarett Loke

YEW YORK — "Bali," an exhibitioo of Rena Bass Forman's photographs at the Bonni Benruhi Gallery in Manhattan, has nothing to do with the Indonesian island as tourist hot spot and everything to do with a place where the equatorial light is mysterious and sometimes surreal.

A photograph of a well-kept temple surrounded by a dense assortment of trees looks as though it had heen taken in the late afternoon, with the long shadow of a tree cast on the ground in front of the surrounding temple wall. But the sky is black and the fronds of a tall palm tree appear to be emitting white smoke.

Forman prefers to work in late-day light, just before sunset, and usually she has a good hour of it. But in Bali. she found, the sun dropped so quickly that day became night in a maner of minutes. This happened while she waited for the right moment to take the picture of the temple, when a puff of white cloud moved behind the palm tree, giving it an unexpected glow. Forman didn't always wait for such

Magrine-like montents. The eight 3tt-by-3tt-inch (75-hy-75centimeters prims in the exhibition and a portfolio of 9-by-9-inch prints selected from her Bali project, also available for viewing at the gallery, reveal a landscape photographer with a finely honed eve for the sumptuous contrasts

in the Balinese landscape, as well

In another image in the exhibition, a mountain that has been turned into a sculptured, terraced rice paddy has the aura of an ancient temple, surrounded as it is by lush foliage and palm trees, the palm fronds glinting like delicate, polished gold. Here, the orderly horizootals of the terraces are nicely hal-

and above them, huge roiling clouds.
Forman lends her prints a pronounced sepia tone, which has the effect of accentuating Bali's unusual

anced with the unruly profusioo of trees

Forman's photographs reveal sumptuous contrasts in the landscape.

light. This toning also highlights the pictures' subtext - that nature and man-made structures need not war with each other but can coexist in harmony.

An ancient seated stone Buddha with a piece of fabric draped over one shoulder and present-day offerings on its lap bears the marks of time and the elements, as though it too were part of the natural landscape, Conversely, a sliver of a waterfall cutting through thick foliage looks as though it might have been the result of human in-

tervention. Although the maturity of these images suggests that the photographer has beeo engaged in large-scale landscape photography for some time, Forman, who is 44, spent a decade after finishing college as an arts administrator in New Jersey and Massachusetts, devising art and educational programs for schools and museums. She documented her projects with photographs and did landscape photography in her spare time.

Given a 35-millimeter camera on her 18th birthday, Forman immediately drove out west from Manhattan and fell in love with the landscape.

She stopped working as an administrator in 1984, and began doing watercolors, collages and photography. She did oot start on her present body of work until 1993, when a fire in her studio destroyed all her earlier After her studio was rehuilt, she de cided to go from small to hig.

prints, bleaching her black-and-white prints and then redeveloping them in a toning bath. She began to travel to more exone places, including the John Day Fossil Beds in Oregon, the grassland and mountains of Turkey, and the Isle of Skye in Scotland.

She would bring back tangible reminders of her trips -- a rock or earth -to guide her in the toning. Her Oregon images are selenium toned, her subjects elemental: massive, curvaceous forms. In Turkey, she photographed rock and volcanic formations against a cloudless sky, her prints again subtly toned. In Bali, where the light was unlike any she had ever experienced. Forman has produced her most complex, evocative work -- deeply toned.

VEE FORMATION By Rich Silvestri

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ART

Rothko: **Timeless** And Tragic

By Jo Ann Lewis Washington Post Serva e

ASHINGTON - The Italian filmmaker Michelangelo Antonioni once remarked that he and Rothko shared the same subject Rothko most respected, Robert Goldwaier, described the artist's goal as reducing paint-ing to 'a colored surface which represents

nothing and supports nothing else."
Rothko (1903-1970) disagreed, "There is no such thing as good painting about nothing." he asserted. "The subject is crucial, and only that subject matter is valid which is tragic

Underscoring gloom-as-subject in his work, Rothko iold an audience of Pratt Institute art students: "There must be a clear preoccupation with death - intimations of mortality," he said.

Now the National Gallery, which fell heir in 1986 to hundreds of works by Rothko, has jumped into the argument. Refusing to take nothing" as an answer, the curator Jeffrey Weiss has assembled the most definitive retrospective of Rothko's 40-year career.

Weiss also mobilized a phalanx of scholars and friends of Marcus Rothkowitz - the Russian immigrant turned legendary New York abstract expressionist — who set out to of the lush lapis bands by adding a stripe of prove in a catalogue that the formal complexities of his art refute any notion of nothingness. The catalogue highlights Rothko's sic Rothkos, colors take on ever more assertive often ravishingly beautiful, translucent clouds roles. In "Untitled, 1953" a field of magenta of color, a breath-like interplay of forms, at the top and a black field below seem to prowling mists and muffled luminosioes.

'You might as well get one thing straight." the artist said in 1957. "I'm not interested in to slip out from under both of them. relationships of color or form or anything else." He added, "I'm interested only in expressing basic human emotions - tragedy, ecstasy, doom, and so on.'

After his breakthrough into pure abstraction in the late 1940s. Rothko explained be mitted to progressively richer, darker color and done so to eliminate "all obstacles between the painter and the idea and between the idea and the observer.

classics - stacked, floating rectangles of color — the figurative and surrealist works at the start of this show will be a surprise. Rothko was groping his way through a blocky, semiabstract style.

A second gallery is filled with dreary, sursun suddenly comes out, and the show begins to sing with the arrival of Rothko's first totally abstract paintings, which he called "multiforms." Built from small, floating, soft-edged changed, but that we have - something biomorphic shapes in luscious yellows, or- gained but something lost.



anges and salmon pinks, they are among the most beautiful works Rothko produced.

By the following year, he had arrived at the vertical format that became his signature style: horizontal bands and rectangles of layered color floating over a base color that wraps around the sides of the canvas, elim-

inating frames. Titles, too, soon disappeared. Even in the first breakthrough classic shown here, "No. 5" (untitled) of 1949, it appears Rothko was trying to rein in his chromatic virtuosity, quelling the sensuality mud-like brownish gray.

In the galleries that follow, filled with claswrestle for space on the canvas, even as a thin strip of orange froth at the bottom seems about

S Rothko's mastery increased, his canvases grew larger, his compositions more reductive, the mood more aggressively somber. He comharmonies, sometimes so subtle that differences between field and ground could no longer be discerned. This trend continued until For the visitor familiar only with Rothko's the final brown/black/wine-red climax of the paintings, adding drama at the point where Rothko, ill and seriously depressed, was soon to slit his arms and bleed to death on the floor of his Manhattan studio.

Could it be that a half-century after they were painted, these pictures bave lost their realist works from the '40s. But by 1948 the ability to startle and mystify us? Our familiarity with Rothko has led to an ease in the presence of these works that did not exist in the 1960s.

Maybe Rothko reminds us not that he has

A French Revival in the Works?

By Souren Melikian International Herald Technic

recovering its long-lost role as the European capital of the art marker? Two events of considerable significance 100k place this week that make this seemingly improbable proposition a realistic possibility over a relatively short term. One is the disclosure that

29.1 percent of Christie's shares previously controlled opened here Thursday at the Seventh Regiment Armory. Geneva, his current be The international media is a formidable force.

duly noted that the acquisiof a large chunk of Christie's shares paves the way for a possible takeover bid, but did not consider the redirecting some internation-broader picture. Pinault is far al flow of Impressionist and more than just a tough handson businessman, or even a 'major buyer of 20th-century Those who know him

describe him as the quintessential French collector passionate, sophisticated, shrewd, with multiple interesis ranging from Impressionist. Modern and post-World War II painting to royal French furniture. Not least, Pinault, who is a close friend of President Jacques Chirac, has a strong sense of French cultural identity.

A man with Pinault's business acumen and personal involvement in collecting must gnash his teeth at the mess that commissaires-priseurs. the nearest equivalent to auctioneers in Britain or the United States, have made of the French auction system over the years. They allowed since the early 1960s and re-Sotheby's and Christie's to mains its key man, and Alwin the battle for supremacy exandre Pradere in Paris is an in the international arena with superior, thoroughly rational organization, including sales ault's interests has every reaarranged by category, eata- son to feel that with so much logues distributed weeks in advance and widespread advertising made possible by the resources of two powerful France's European commit-

the fragmented 70 or so Paris

auctioneering groups.

Most frustrating of all per-EW YORK - Is haps is the thought that in the Paris on its way to case of Christie's, which re-recovering its long-cently managed to overtake Sotheby's, long the dominant force, and 10 beat it by a short length in the sales race. French specialists made maior contributions.

If Christie's in the last three years has come out as No. 1 in jewelry, this is largely thanks to François Curiel, head of the French businessman Christie's jewelry department François Pinault had acquired worldwide. Curiel, the son of a now retired antique silver and jewelry dealer, was steeped in through a trust by the British the world of precious stones investor Joe Lewis. The other from early childhood. Highly is the French show of force at regarded in the international the Fine Art Fair, which gem trade - from New York, where he spent years, 10 Geneva, his current base — he

So is Hugues Joffre, who played a key role in giving Christie's the lead in Contemporary Art sales and in Modem art toward Christie's. In the last two years he has been running the Christie's show in France and nearly tripled the volume of business handled by his company.

THER Frenchmen hold important positions at Christie's. Frank Giraud is the head of the successful 19thand 20th-century department, and Philippe Segalot, a highly regarded Contemporary Art specialist, now in New York, is due to return to Paris in July to step into his new role as director of the fine arts division. At Sotheby's, 100, the French play a major role. Michel Strauss, the Impressionist and Modern art specialist, has been the linchpin in building Sotheby's strength authority in French furniture. etc. In sbort, a man with Pin-French talent exploited by others, urgent action is required.

And now is the time. aucoon houses as opposed to ments mean that the laws that



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A study of a mude woman by Pierre-Paul Prud hon.

completely within a year, vacuum. They require the tion base, a vast constituency from a French perspective, presence of a vigorous art of collectors large and small, tinged with more than a touch of nadonal pride, the transition would be that much easier should the control of hands. It is hard to believe that such considerations were not at the back of Pinault's mind when he made his move. If that is correct, an outright attempt at taking over the com-

is that the real decision making would be relocated to Paris.

guaranteed the exclusive priv- tire world auction game. The ileges of the commissaires- Parts potential is enormous. priseurs must be scrapped Auctions do not develop in a development of a major auc-

trade, and Paris has it. A cursory glance at the Fine Art Fair is enough to convince day at Drouot. anyone of its resources. The Christie's pass into French masterpiece that stands out a art market revival could take mile at the armory hangs on off like a rocket. Pinault is the the stand of Philippe Cazeau man who could give that im-The view of Corot's house at political comph. the art Ville d'Avray near Paris, hunter's reflexes. This painted in the late 1860s, with week's developments might pany is in the cards and, were its glazes intact, is not just a yet turn out to be the most

among the French master's

greatest landscapes. Cazeau

three Fauve works - two by Dufy, including another sensational discovery, a hitherto unrecorded "14 Juillet," and a Marquei - worthy of any

A few yards away, the Galerie Hopkins-Thomas-Custot displays a rare gem by Berthe Morisot, a harbor view painted on the Isle of Wight in 1875, which was featured at the Second Impressionist Exhibition. They also are show-ing "L'Anniversaire," a pas-tel mixed with gouache by Henri Fantin-Latour drawn in 1875 to honor Berlioz. already reserved by a leading American museum.

The Galerie Beres, best known for its sophisticated small-format paintings and drawings by French avantgarde artists from the 1830s to the 1950s, has another line in Old Master and Neoclassical drawings, in which it sur-passed itself. The two studies of a man and a woman in the nude by Pierre-Paul Prud'hon, never illustrated before, are the talk of the town. Add an important Bonnard seaside view of 1930 at Daniel Malingue and Van Dongen's Fauve portrait of a clown displayed by Fabien Boulakia, which offers a striking anticipation of the yet-to-be German Expressionism, and the list of coups made by the French trade is impressive.

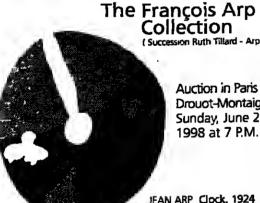
It can be equally brilliant in other fields, from French furniture to early rugs and tapestries. Not least, France is one of the few countries in Europe that has that other component essential for the passionately involved in their pursuit, as can be observed any

Given the right impulse, an and Jacques de la Beraudiere. pulse. He has the money, the he to succeed, the probability new discovery. It ranks important for the world art market since the late Peter Wilson became chairman of This would change the en- and La Beraudiere also line up Sotheby's four decades ago.

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Executive Privilege

President Bill Clinton faces a choice following Judge Norma Holloway Johnson's decision to deny his executive privilege claim. He can allow the White House aides Bruce Lindsey and Sidney Blumenthal to testify before Kenneth Starr's grand jury, or he can appeal Judge Johnson's decision. If he chooses to appeal, he may succeed in delaying Mr. Starr's investigation hy several months. But this would be primarily a stalling move - Mr. Clinton's claim will almost certainly fail one way or another. And when it does, it will have further weakened the idea of executive privilege for Mr. Clinton's successors and further diminished the legitimacy of the privilege in the public mind.

The notion of executive privilege was oot a creation of the Watergate tapes case in 1974. In fact, presidents since George Washington have assert-ed the right not to disclose private execuove branch communicacions. Executive branch secrecy is assumed in the Federalist Papers. And the Supreme Court itself appeared to recognize a sweeping privilege in the celebrated 1803 case of Marhury v. Madison, when it was confronted by a witness who felt that answering certain questions might breach executive branch 'There was nothing confidential required to be disclosed. If there bad been he was not obliged to answer it; and if he thought that any thing was communicated to him in confidence be was not bound to disclose it. ...

Well into this century, even some civil libertarians presumed a right to confidentiality in the executive branch. 'The President's authority under the Constitution to withhold from Congress confidential executive information, the disclosure of which, in his judgment, would be incompatible with the public interest, is altogether beyoud question," wrote this editorial page in 1954.

The sense of executive privilege as a disreputable exercise of naked power comes from the Watergate era, when President Richard Nixon asserted the privilege oot to shield conversations surrounding an act of state but to protect himself from evidence of his own criminal conduct. The resulting Supreme Court decision was clearly correct, but it has made it far more difficult for subsequent presidents to assert executive privilege — even legitimately. In other words, by litigating a case he never should have litigated, President Nixon weakened all of his successors.

Now Mr. Clinton argues that discussions of the Monica Lewinsky scandal among top White House aides are covered by the privilege. In a case with facis more related to public business, this assertion might be more plausible. But Mr. Clinton's claim is hampered by a deeply flawed premise. To protect himself from personal embarrassment, at least temporarily, he risks yet another decision that will weaken the office he holds. -THE WASHINGTON POST.

Merger on Wheels

The proposed merger between Daimler-Benz and Chrysler - the largest industrial merger ever — appears to be good for Chrysler's shareholders and workers. The merger could boost Chrysler's European sales, now tiny, yet pose little threat to factory jobs in the United States. The two companies are vastly different,

Daimler focuses on its luxury cars, Chrysler on its sport uolity vehicles. pickup trucks and minivans. That means the companies cannot cut costs easily by consolidating production lines, sharing dealerships or restructuring business. But while the lack of overlap protects Chrysler workers. it also suggests that the merger, despite its size, might have little impact on the domestic or foreign auto industry.

Daimler no donbt bopes the merger will raise sales of luxury cars in the American market and help it tap Chrysler's highly successful assembly and design systems. Chrysler hopes to absorb Daimler's engineering quality. Yet there will be rough spots. Daimler's, and Germany's, corporate and labor systems are greatly different from Chrysler's. German law requires, for example, that representatives of

Daimler's well-paid workers sil as members of its corporate board. The history of mergers between automobile companies in different countries gives pause to anyone who thinks that culture clashes will be easily over-

The U.S. Congress bailed out a slumping Chrysler in 1980. Eighteen years later, a healthy Chrysler pro-poses to sell itself to high-bidding foreigners. That may trouble some Americans who fear the loss to foreign ownership of one of the nation's major companies. But it should not bother shareholders, who will be paid well in shares of the merged company.

Nor should it upset American taxpayers, who were not harmed by the bailout. Chrysler repaid its debts faster than originally negotiated, and the bailout inaugurated almost two decades of prosperity for the company, allowing employment of thousands of workers who would have been forced out. Now the merger with a first-class company should help secure Chrysler's future long after consumer infatuation with minivans and sport utility vehicles, the salvation of

-THE NEW YORK TIMES.

Protecting Species

The U.S. Interior Department's pro-posal to remove more than two dozen rare plants and animals from the eodangered species list is not only a triumph for the bald eagle, the peregrine falcon, the gray wolf and their fortunate companions but also a vindication of the Endangered Species Act. which made their survival possible.

The act is the most controversial of all the landmark environmental statutes enacted in the 1970s. Among the criticisms trotted out over the years is that it does not really work and causes more aggravacion to developers and landowners than it is worth to the species.

As this past week's proposal makes clear, however, the act does indeed work. That should send an important message 10 those in Congress who would weaken it or cut the funds necessary to carry it out.

Under the proposal, announced by Secretary of the Interior Bruce Babbitt. 17 plant species and 12 animal species will be removed from the endangered list completely or downgraded to a lower level of protection over the next two years. Although some of the species will continue to receive federal protection, many will be entrusted to state agencies. Mr. Babbitt will need to make sure that the states have programs in place to ensure that the species continue to flourish once Washington withdraws its protective shield.

The timing of his announcement had as much to do with persuading Congress of the program's value as it did with his scientists' assessment that the

species could now survive pretty much on their own. The Endangered Species Act is celebrating its 25th birthday and is also up for reauthorization. But since neither of the reauthorization bills in the Senate and House is going anywhere, which means that the act as originally written remains in force, the administration's focus has shifted to

the appropriations committees Mr. Babhitt has asked for a \$30 million increase in funds to help carry out the purposes of the act, from \$70 million to about \$100 million.

Among other things, the money would help underwrite scientific research, breeding programs to help the species multiply and land purchases necessary to provide important habitat.

The \$30 million request is hardly outrageous. But this is a budger-conscious Congress. It is also essentially the same Congress that, in 1995, bowed to logging and other commercial interests and imposed a yearlong moratorium on new listings by preventing the Interior Department from

carrying out vital field research.
The American alligator was the first animal to be removed from the en-dangered species list, back in the 1970s. In the next 20 years, only six more species recovered enough to merit de-listing. Wednesday's proposed de-listing was the largest in the history of the act. But 1,135 species remain on the list. A generous Congress can guarantee even more success stories in the

-THE NEW YORK TIMES

Herald Eribune

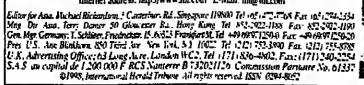
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EDITORIALS/OPINION

For Cambodia, Justice and Hun Sen Don't Mix

WASHINGTON — The United States is pursuing two worthy goals in Cambodia: a democratic election, and the bringing to justice of Khmer Rouge members responsible for the killing of more than a million Cam-bodians from 1975 to 1978. But these goals are being pursued separately and ineffectively. The U.S government does not understand that they are integrally connected. Full democratization is a precondition for justice.

The idea that there can be free elections in Cambodia oo July 26 is a cruel joke. Since his putsch last July, Hun Sen and his supporters have murdered more than 100 opponents, intimidated many others and blocked the opposition's access to the mass media.

The purveyors of this joke are Cambodia's Asian neighbors, along with France. For its own reasons, the United States has not strongly opposed them but instead has made moves to arrest the leaders of the ano-Hun Sen Khmer Rouge faction that arrested Pol Pot.

Pol Pot did not carry out his crimes single-handed. He was assisted by an inner circle of close collaborators, scores of regional and district politicalmilitary commanders, hundreds of village cadres and thousands of members of their armed detachments.

By Stephen J. Morris

The general pattern of social revolution was initiated at the highest level. Lower-level commanders and functionaries carried out those orders. Only a small percentage of these guilty men are now on the run from government forces in western Cambodia.

Some former decision-makers and most of the triggermen still alive are members or supporters of Hun Sen's unelected government, or are prospering under the protection of a government amnesty.

Hun Sen has presided over a res-

toration to power of the Khmer Rouge without Pol Pol

The process began when the Vietnamese selected some 80 cadres who bad defected from the Khmer Rouge to provide the political backbone of the puppet government they installed after invading Cambodia and overthrowing Pol Pot's regime in 1978.

The restoration accelerated after the UN-sponsored elections of 1993.

In 1996, a former Pol Pol foreign minister, Ieng Sary, defected to the government with 1,500 troops, and several senior commanders with thousands more troops railied to the govthe American ambassador.

The elected first prime minister, Prince Ranariddh, had supported a policy of competing with Hun Sen for Khmer Rouge defectors by offering amnesty. But Hun Sen was far more successful at this game.

Hun Seo has fully integrated Khmer Rouge defectors into the command structure of his Communist-style Cambodian People's Party. Last July, when he discarded the fig leaf of coalition government that had concealed his seizure of power in 1993, the putsch relied upon many Khmer Rouge de-

Hun Sen learned from his Vietnamese tutors that the best foundation for sustaining dictatorship in Cambodia today is Khrner Rouge support.

That is why no genuine accounting for the atrocities of Pol Pot's time can be made while Hun Sen is in power. He presides over a regime that protects and s sustained by the very targets of an honest international tribunal.

The United States has no common interest with China and Vietnam on the Cambodia quescon. Beijing and Hanoi fear the inspiracional effect of democracy there. They also fear the implications for themselves of an inveso-

ernment under the approving gaze of Nor does America have the same the American ambassador. priorities as the ASEAN members which are preoccupied with the East Asian financial crisis and, other than the Philippines, are not themselves

models of democracy. France, as usual, is pursuing a sphere. of influence among its former colonial subjects. Japan is pursuing influence in the only region of Southeast Asia where it has no notoriety for World

MAKATI CITY Printers and the printers of the P War II atrocities. None of the nations that are apologists. for Hun Sen has the slightest interest in

the welfare of Cambodia's people. The U.S. policy of seeking out only the remnant of Pol Pot's inner circle. gives the impression of an attempt to divert attention from Cambodia's undemocratic present and future. It is a feel-good substitute for a thorough cleansing of Cambodia's political life.

Orly a law-governed democratie Cambodia will satisfy the basic political aspirations of its people and provide the institutional base for an honest reckoning with Cambodia's past.

The writer is a fellow at the Paul H Nitte School of Advanced Internation al Studies. He contributed this comment to The Washington Post.

Debating the IMF's Role in a Tumultuous New World

ASHINGTON — George Sbultz would dismantle the International Monetary Fund, yesterday if he could. Paul Volcker would strengthen the

Fund to iron out the spreading wrinkles of global capitalism. Indonesia's rulers defy, plot with or ignore the Fund, according to the moods and oeeds of the day. Their citizens riot against economic pain inflicted by the Fund's rules.

In Birmingham, England, next weekend. French and American leaders are likely to lock horns during the Group of Seven industrial nations summit meeting over French ideas on giving the Fund some super-vision of private international investment flows.

After a half-century of quiet labor on balance of payments problems, the secretive and staid IMF finds itself embroiled in controversy around the globe. Its critics come from virtually every point on the political spectrum, agreeing on only one thing:

The Fund and the international financial system it heads By Jim Hoagland

in dealing with the continuing Asian financial crisis.

Mr. Shultz and others even fear that the IMF and its ally in Asia, the U.S. Treasury, are actually contributing to Asia's problems and to more devastating capital crunches to come.

He voiced that fear recently in testimony to a congressional committee. The Fund encourages investors and bankers to take imprudent risks by providing taxpayers' money to bail them out, he said. The man who was Richard Nixon's Treasury secretary and Ronald Reagan's secretary of state urged Congress to turn back "a pattern of escalation of ambidons of the IMF" so unhindered markets could resolve these problems.

Mr. Shultz goes ton far. The IMF is a lightning rod for the financial storms kicked up in the reshaping of the world economy hy the forces of technology, expanding capital markets, education and democracy.

have been woefully inadequate Pushed by the United States, the Fund stepped into the Asian crisis oot because of ambition but because there was no one else to deal with the problem.

That is the real problem. Asia's troubles show that in the four years since Mexico's currency debacle the world's most powerful political and financial leaders bave taken no effective action to prepare the Fund, or other international institutions, to deal with the financial consequences and vul-

oerahilities of glohalization. This is not even an Asian crisis, Mr. Volcker, former chairman of the Federal Reserve, said in a recent speech at Johns Hopkins University. The collapse of Indonesian, Thai, South Korean and other currencies and markets is "only the latest, and most dramatic, episode in a series of events that raise some basic questions about global finance and its implications for

economic development."

the IMF as "the only vehicle we bave 10 bring consensus and legitimacy to reform of the financial system on a global scale." But that goes too far for the

Clinton administration, which opposes broad reform of the world's financial system, led by the IMF or by anybody else. Treasury Secretary Robert E. Ruhin argues that moments of crisis are the wrong time for monkeying with basic architec-

ture. He favors incremental action — such as upping the U.S. contribution to the IMF by \$18 billion, which will encourage other countries to add \$65 hillioo to the Fund's reserves and opposes anything that would change a global status quo that America dominates. But the incremental approach

is in trouble, as Asia's economies show signs of sinking once again. Following Mr. Shultz's testi-

mony, the Honse speaker, Newt Gingrich, was said to be leaning toward not scheduling a vote on the \$18 hillion request this year.

Democratic leaders in Coogress

political tabbis intent oo turn-

ing the Jewish state into a kosh-

would use this retreat as ammunition for November, when they will run against an isola-tionist, do-nothing Republican Coogress that imperils America's standing in the world.
But in their different way

Mr. Shultz and Mr. Volcker es tablish that a historic conflict of hig ideas about marker efficiency and economic justice in the era of globalization is under way, with the IMF serving as a catalyst. Mr. Rubin's voice is missing in that debate as he con-centrales on technical fixes and warding off pressures to change a system created 50 years ago for different purposes.

That strategic absence, more than Republican isolationism, is the problem with Mr. Rnbin's \$18 billion request. It may now fail, both as legislation and as an election issue, unless the administration can quickly show that this new money is part of a new strategy for dealing with international financial problems that America's success in penetrating other markets has helped create

The Washington Post.

In the Middle East, Illusions Get in the Way of Peace

PARIS — As it celebrates its 50th anniversary, Israel is a stronger, more prosperous and more divided state than ever before. The government sealed off Gaza and the West Bank during recent celebrations as a necessary security precaution. This irooy is at the heart of

There has been profound and dramatic change in Israel since 1948, and nothing has been settled, not even what it means to be a Jewish state.

The founders knew what they intended: a place of refuge and Ingathering to enable the Jews so long dispersed and persecuted to become a "normal nation." I remember the exultation of the first Israeli chief of police, who happened to be a Frenchman, saving: "Now we have Jewish

policemen arresting Jewish al. not just security but Jew-criminals and Jewish prosotutes ishness itself. A fellow gnest of our own country. Survival was always the first

problem, and for that population growth was necessary. The first hig wave of new migrants came from Arah lands. The influx of Russian Jews, now nearly a million in Israel, was scarcely foreseen.

But least expected among the pioneers was the rising voice and power of orthodoxy. For political reasons. David Ben-Gurion left wide legal scope to the rabbinate, even accepting that the state could have no formal constitution because the Torah served as founding principle.

Now, orthodoxy is coming to

By Flora Lewis ishness itself. A fellow gnest of

former President Chaim Herzog told me once, when I complained about the assertiveness of the ultra-religious: "Why do you suppose there aren't 60 million Jews in the world, after so many generations? It's not because of the Holocaust, li's assimilation. We owe our survival

to the orthodox."

But later, a photographer from Tel Aviv, who had just been observing anery Jewish settlers in Hebron, said: "I don't feel I belong in the same state. I belong to the state of Tel Aviv." Ze'ev Chafets, former spokesman for Likud and for Prime Minister Menachem Beredefine the meaning of surviv- gin, writes disdainfully of the

inal law as far as it will go. He dragged Monica Lewin-

sky's mother before a grand jury

- not because he had to, but

because he could. He summoned

the White House aide Sidney

Blumenthal before the grand

jury, not because Mr. Blumen-

What they do agree on is the need for security. Israel has peace treaties with two Arab neighbors and overwhelming military power. But it does not feel safe. Meanwhile, the Palestinians

er Iran.

have changed, too. Concluding after the watershed defeat of three Arab armies and the occupation of the lands they held in 1967 that they could not expect salvation from outside, the Palestinians set out to organize their own desriny. After the Gulf War in 1991, it was recognized that this would have to be achieved by compromise; by accepting the legitimate existence of Isracl.

the "peace process," not yet peace itself but an implicit ations would bolster the confidence of both enough to take

parties agree. Benjamin Netan-yahu declares that "would be a direct violation of Oslo and would dissolve the agreement."

Leaving wbat? He offers no alternative but continued construction of settlements and bypass roads through territories that Israel still recognizes as Palestinian. The Palestinians, and many Israelis who do see separate states as the only solution, suspect that there is a hidden long-term plan.

It is to gradually so discourage the Palestinians that they abandon all resistance to Israeli domination. That is oo more likely to happen than the Arab expectation over much of the last 50 years of wiping out the Jewish state and driving Israelis into the sea.

Illusions have changed. But illusion remains the key and blocks the peace that all need. If Mr. Netanyahu is serious about seeking a definiove settlement that has a chance of meeting Palestinian needs, he will not block the American-urged compromise on transitional withdrawal. If he does, it will show that he clings to the illusion that Israel might find peace without accepting a Palestinian state.

Closing off the West Bank and Gaza to prevent terrorism while Israel celebrated its half-century was a way of admitting that it cannot be done.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Fruit of War NEW YORK - Military and

naval men are confident to-day [May 9] of an early termination miral Sampson will be successful with the Spanish fleet in Porto Rican waters, the war will will be held by the United States as the fruit of war. It is different with Cuba. The United States that it does not want Cuba. Its sole purpose is to release it from the Spanish, and to maintain order until a stable, independent government is established.

PEKING - The Chinese Govemment to-day [May 8] assured

kidnapped the passengers will be paid so as to obtain the liberty of the prisoners, including a ounber of Americans. The robbers were pursued by local troops and in the confusion many of their prisoners, including the American women, have escaped, reducing to eighteen the total number of foreigners in their hands.

1948: Jerusalem Lull

lived in peace today [May 8]. The battle for the Holy City, now in its sixth month, was halted by a cease-fire order which became effective at noon. The tension which has gripped both Arab and Jewish residents for countless days and nights was visibly relaxed. There were concrete indications, however, that the peace might be short-lived. The Jewish Agency for Palestine officially agreed to the cease-fire "for the ... time being," but added that "this

KONOMIC SCENE U.S. Auto Union

11th Hour for the

As Presidential Election New

By Don Kirk

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RUSSELS - Christian Nover, the or preadent-designate of the Euroen Central Bank and Friday the exhere rates between the dollar and the about of the euro bloc were sat-

twould be good to keep the rate made carent levels. Mr. Novet, the knowledge of the French Treasury field to commune the French Treasury field & Commune on Economic and Monasy Affairs of the European Parlia-Mr. Nover was the last of six Eato-

per Central Bank executive board hamil which will vote on them Mon-

The bearings of the candidates, who had summerary policy for the 11 countries after a meeting law to account to

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general and his wife.

By Richard Cohen

Where Are the Big-Government Foes?

WASHINGTON — Sitting in an airport terminal the other day. I got into a conversation with a former govern-ment official. We talked about various matters until the conversation got around to Kenneth Starr and my acquaintance went, as they say, postal.

He raised his voice. He de-nounced. He cursed, and he did all of this — he wanted me to understand — as a self-described conservative Republi-

can. This raises a question: Where are the test of them? Where, exactly, are those people who are always warning about the presumed threat to our American liberries posed by big she was merely saying what Mr. government but who, for some reason, do not seem to worry about a pattern of abusive behavior by Mr. Start or Repre-

sentative Dan Burton. In Mr. Burton's case, his behavior has been defended by the House Republican leadership, conservatives all. When it was revealed, for instance, that Mr. Burton had edited the Webster Huhbell tapes to make the innocuous seem odious, the House speaker, Newt Gingrich, hlamed not Mr. Burton but his critics.

Mr. Burton's release of tapes made of Mr. Hubbell's prison telephone calls to his wife, lawyer and others is an inexcusable invasion of privacy. In addition to conversations edited to seem snspicious, committee members, staffers and now reporters have been able to listen to private conversations between the former associate attorney

Conservatives, though, are not appalled at this abuse of governmental authority. Nor do they seem to be troubled by the hardball tactics of Ken Starr. The other day, for instance, he indicted Susan McDougal yei again, this time for criminal contempt and obstruction of justice. Mrs. McDougal has already served 18 months in jail for refusing to answer Mr. Starr's questions, If she eventually relents, her testimony would be near worthless anyway. A jury might conclude that

Starr wanted to hear. Similarly, Mr. Starr has indicted Mr. Hubbell and his wife on tax evasion charges. As with Mrs. McDougal, Mr. Starr is within his rights to bring such an indictment, but it is an extreme measure, yet another whack at Mr. Huhbell for a crime that normally would have

called for a fine. You would think conservatives, of all people, would be troubled by the use of such prosecutorial muscle. But they seem to loathe Bill Clinton more than they love limited government and prosecutorial

restraint. Mr. Burton is democracy's mutant — the political equivalent of a two-headed frog. the

sort of mistake the system

produces every once to a while.

Not so Mr. Starr. He is a stock

figure. the self-righteous

inquisitor pushing the crim-

thal is an alleged conspirator but because he talked critically to the press about Mr. Starr's assistants - not yet a crime in the United States. And his assistants speni 10 hours talking with Monica Lewinsky in January when, as they knew, she was already represented by counsel. Her lawyer was not notified. Each and every time Mr. Starr's defenders proffered the line that this is either standard operating procedure or, if not,

treme measures. But taken together, we have a pattern of excessive behavior, a prosecutor with his foot to the floor, careering down the street after a president who may have lied about a sexual relationship. This is the hot pursuit of a Perjury or obstruction of

then the justifiable use of ex-

is a serious matter. But so, too, are reckless prosecutions and congressional investigations that, in the end, threaten us all. Conservatives, of all people, ought to see that, but they seem blinded by their hatred of Mr. Clinton. They would rather see him hurt than stand on their own

iustice, especially by a president.

principles — a bunch of Ahabs going down with the whale of their own fixation. The Washington Post

The Oslo accord launched

agreement that it would be reached through separation of the territory of historic Palesune into two states. It was a tremendous breakthrough, irreversible in the sense that neither side could continue to deny the existence of the other. The hope was that step-by-step negoti-

the ultimate hard decisions. That has failed. Now Yasser Arafai says he will proclaim a state on May 4, 1999, the date set by Oslo for concluding final

negotiations, whether or not the

of the war. Anticipating that Adbe over in thirty days. Porto Rico has given notice to the world

1923: Train Hostages

Mr. Schurman, American Minister to Peking, that the ransom demanded by the train robbers who held up and looted the Pukow-Tientsin express and

JERUSALEM - Jerusalem

is a cease-fire, not a truce."

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11th Hour for the Philippines' Man of the Masses'

As Presidential Election Nears, Business Community Ponders Popularity of Estrada

By Don Kirk

MAKATI CITY, Philippines — Members of the Philippines elite once liked to laugh at Joseph Estrada, the former comic actor who serves as the country's vice president.

Many other Filipinos just chuckled affectionately over Mr. Estrada's slap-stick movie career and the frequent reports of his drinking, womanizing and even consorting with gangsters. But since Mr. Estrada soared to the

lead in voter polls and now appears likely to win the country's presidential election on Monday, the laughter has died down. Veteran husiness executives in this high-rise financial center of metropolitan Manila are spending a lot of their free time these days analyzing why Mr. Estrada has such strong public appeal in a society long dominated by wealthy merchant families.

"He's a man of the masses," said Arthur Sokolow, who runs a fund management company. 'It's the masses who go to see these grade B films. He doesn't come from the establishment. They see the establishment as his biggest opponents, and the establishment is the elite."

If the latest polls showing Mr. Estrada with about 33 percent of the vote in the 11-candidate field are correct, he will handily win election as president on Monday for a six-year term. He would take office at a time when the economy is hovering on the brink of crisis.

Although the Philippine peso has slumped drastically and business is growing at its slowest pace in five years, analysts still believe the country will avoid the recession that has hit other Southeast Asian nations.

Much of the credit for the Philipines' economic resilience goes to President Fidel Ramos, who has liberalized



Joseph Estrada, who leads presidential polls, with his wife, Loi, on Friday.

ament to the depth of change during his presidency is that the economy is likely to survive both Asia's economic slowdown and the election of Mr. Estrada.

Under such circumstances, business executives are slowly coming to grips with the fact that the 61-year-old vice president, for all his faults, may soon be governing this country of 71 million people. The jovial, beer-bellied populist, they say, may not be so bad after

"I'm not a bit alarmed," said George Drysdale, an American businessman who has spent most of his career in the Philippines. "He's smart enough to

the economy and opened up markets know he's got to follow the policy that during his six-year term. Indeed, a test-

Mr. Drysdale, like many other investors and traders here, is convinced that Mr. Estrada means it when he says he will support the liberalization mea-sures that Mr. Ramos rammed through an often reluctant Philippine congress.

Still, the World Bank wants a promise that he will continue economic reforms and has threatened to withhold a \$500 million loan without it, according to Bloomberg News.

'The bank's board will need to be assured that the new president-elect is committed to the banking sector reform program," Vinay Bhargava, director for the World Bank's operations in the PhilNoel Bonoan, an attorney with SyCip Gorres Velayo & Co., a leading ac-counting firm in Manila, said he thought "Erap," as Mr. Estrada is often referred to, would "make a lot of people very

'But I don't think his election will adversely affect the economy," he said. Mr. Ramos has made clear his disdain for Mr. Estrada, whom he frequently has ried to ignore as the No. 2 political leader of the country. The vice president runs on a separate ticket, and Mr. Estrada easily defeated Mr. Ramos's choice in 1992.

This year, Mr. Ramos, who is barred from seeking a second term by the Philippine constitution, has thrown his support behind Jose de Venecia, who pushed through much of the president's reform program as Speaker of the House of Representatives and is sure to want to

carry on his policies.

But Mr. Ramos is clearly identified with the establishment. He is a career general who once worked for Ferdinand Marcos but then sided with former President Corazon Aquino against the dic-

Mrs. Aquino, from one of the country's richest landowning families, also represents the establishment even though she led what appeared to be a popular uprising against Mr. Marcos more than 12 years ago. She supports Alfredo Lim, the hard-nosed mayor of Manila, for President.

The man most likely to exercise the greatest influence on Mr. Estrada if he is elected may well be his vice-presidential candidate, Edgardo Angara, who as leader of the Philippine senate also helped pnsh through President Ramos's program. But Mr. Angara, a former president of the University of the Philippines, is seen as having little chance to win that office.



Japan's finance minister, Hikaru Matsunaga, left, being greeted by the U.S. Treasury secretary, Robert Rubin, on Friday in London for G-7 talks.

U.S., U.K. and Japan Optimistic on Asia

By Tom Buerkle International Herald Tribune

LONDON - Senior officials of the United States, Britain and Japan voiced optimism Friday that Asia's economic crisis was bottoming out, but they urged Asian governments, in particular Indonesia, to match economic adjustments with political reforms aimed at strengthening democracy and alleviat-ing the social costs of recession.

The comments came as finance and foreign ministers of the Group of Seven nations gathered here for their annual meeting devoted primarily to revamping the international financial system to prevent, or better manage, future financial crises.

They reflected beightened concern about political instability not only in Indonesia, which a senior official called a powder keg after riots over price increases earlier this week, but also in South Korea, Thailand and Malaysia, where financial markets have begun to recover but large-scale layoffs and other restructuring still loom.

Economic reform in Indonesia "must be accompanied by political reform, with the respect for individual rights that is necessary," said Gordon Brown of Britain, the chancellor of the Exchequer, who was chairing the finance ministers' meeting. "There is no room for oppression in any society," said Mr. Brown, who met with President Suharto in Jakarta earlier this week.

Mr. Brown also said ministers would call on the World Bank president, James Wolfensohn, to step up public works projects aimed at easing the pain of struc-

tural reform in developing countries.
Foreign Minister Keizo Obuchi of Japan said the situation in Indonesia had "turned better in the economic aspect."
He said, "Looking at it socially, however, ordinary citizens have begun to be affected. I am concerned about it, and will watch the situation closely."

In an address to bankers in the City of London, Robert Rnhin, the U.S. Treasury secretary, spoke of "beginning to see a return to financial stability" in Asia. But he said Asian governments needed to stick with their economic reform programs of budget tightening, banking reform and corporate restructuring "as difficult politically as that may be."

The meetings here Friday and Saturday were expected to refine a number of proposals put forward in recent months for overhanling the world financial system, including requirements for greater openness about economic olicies to avoid crises; tighter surveillance of national economies by the International Monetary Fund and the World Bank, including warnings for any governments that reject economic reforms; and getting private banks and investors to pay a greater share of the cost of bailing out troubled economies. Ahead of the meeting, the IMF man-

See G-7, Page 13

ECONOMIC SCENE

U.S. Auto Union Sees Opportunity in German Link

By Frank Swoboda Ashington Post Service

WASHINGTON — When U.S. labor unions used to call for the workers of the world to unite, little did they dream it would be corporate chieftains who would help them do it.

The takeover of Chrysler Corp. by Germany's Daimler-Benz AG, anability to capitalize on the increasing globalization of everything from automaking to package delivery. The takeover not only marries two

of the world's most famons carmakers, it places two of the world's most powerful labor unions --- the Detroitbased United Auto Workers and Germany's giant IG Metall - under the same corporate roof.

The deal, which still must be approved by both companies' sharebolders, comes at a time when the UAW is Stillman said the takeover also offers

involved in a major merger of its own. Targeted for 2001, the merger with the United Steelworkers Union and the International Association of Machinists would create a metal workers union in the United States with 2 million members, basically patterned after the structure of IG Metall itself.

"This is a great opportunity for labor," said the former UAW presnounced Thursday in London, raises ident, Douglas Fraser, who led the un-enormous questions for labor and its ion through the dark days of the Chrysler bailont nearly 20 years ago. "I think it naturally follows that the two unions will work together more

Daimler and Chrysler, for example, each have production facilities around the world. Don Stillman, who heads the UAW's Washington office, said the combined clout of the unions will give them more leverage to help workers at company plants worldwide, some of which are not unionized. Mr.

bring some of the West European 'labor tools' such as co-determinanon, worker councils and information disclosure to Chrysler.

But there also is a dark side for labor, which could result in the two unions fighting each other for future jobs. "The labor costs in Germany are sig-nificantly higher than they are in the U.S.," Mr. Fraser said. "If Daimler-Benz decides to build in the U.S. rather than Germany, it could rub them the wrong way," be said, referring to IG

Mr. Fraser also cantioned that promises made by the two companies - no job reductions as part of the takeover could change dramatically if there is a sudden downturn in the industry. Mr. Fraser, who served on Chrysler's board, noted the company was so heavily involved in light-truck manufacturing that it essentially is a niche player, vulnerable to the cyclical nature of

an opportunity for the UAW to try to the auto husiness. "It's not well rounded," he said.

There's an old cliché that you cannot divide up scarcity, you can only share in ahundance," Mr. Fraser said. "If you have scarcity in Germany, you can visualize competition" between the two unions.

Daimler's U.S. investment is apt to be the most immediate test for the merged corporation and its unions. The president, Stephen Yokich, raised that possibility when be sug-gested that Daimler's nonunion assembly plant in Vance, Alabama. should be put under the UAW's con-tract with Chrysler. The UAW already bas started an organizing campaign at the plant, which makes the Mercedes-Benz M-Class sport ntility vehicles,

Mr. Yokich said at a news conference in Detroit that the Chrysler-Daimler merger could be a win-win

See UNIONS, Page 13

Battle for Rolls Isn't Over

VW Faces Further Fight Over Name and Engines

LONDON - Volkswagen AG could draw fire from loyal Rolls-Royce enthusiasts and face a lengthy legal battle with the owner of the carmaker's brand, signaling a difficult struggle to establish control of Rolls, analysts said Friday.

Bayerische Motoren Werke AG withdrew Friday from a bidding war for the Rolls-Royce Motor Cars division of Vickers PLC, leaving VW's £430 million-pound (\$707.7 million) bid on the table. BMW at the same time said it would stop supplying engines to the luxury carmaker

Even if BMW honors a contract requiring it to give 12 months notice before the cutoff, analysts say that would leave Volkswagen little time to develop an alternative for fastidious Rolls buyers. Any drop in quality could also give Rolls-Royce PLC, the separate company that makes jet engines and owns the brand name, grounds to fight VW's

The jet engine maker made a point of withholding support from VW in a brief statement to the London Stock Exchange that said it would take whatever action is necessary" to protect the brand.

with Charterhouse Tilney Securities. "It lonks like they're going to create a few problems."

Volkswagen has said it is not con-

cerned about losing BMW's supplies, which also include parts such as air conditioning and transmission units that account for about 30 percent of the new \$250,000 Silver Scrapb.

VW has said it plans to buy engines in Britain, probably from Vickers's own Cosworth unit.

But analysts warn it could take more than two years to develop an engine from scratch. They say VW's other tack adapting one of its existing engines, such as the eight-cylinder engines made by its Audi unit — could anger Rolls buyers just as it bopes to woo them.

"Rolls owners are already dissatis-fied at the idea that the car has a German engine under the bonnet." said Coram Williams, who follows the industry for

Autocar magazine.
"There would be even more discomfort about the idea of dropping an Audi engine under the bonnet of a Rolls,"

Mr. Williams said. Vickers itself was sanguine about selling the 92-year-old carmaker to

Volkswagen even if BMW cuts supplies. Shareholders will decide which bid wins at a June 4 meeting.

EU Banker Satisfied With Dollar Rate

BRUSSELS - Christian Noyer, the vice president-designate of the European Central Bank, said Friday the exchange rates between the dollar and the currencies of the euro bloc were satisfactory.

"It would be good to keep the rate

around current levels," Mr. Noyer, the former head of the French Treasury, told the Committee on Economic and Monetary Affairs of the European Parlia-Mr. Noyer was the last of six Euro-

pean Central Bank executive board

nominees to testify to the European Par-

liament, which will vote on them Mon-The hearings of the candidates, who will set monetary policy for the 11 countries taking part in the single currency, comes after a meeting last weekend in

which European Union leaders chose euro participants and set exchange

The hearings, a dry run for what the Parliament hopes will be a regular quarterly cross-examination of the Frankfurt-based institution, showed that Europe is about to get a hard-nosed central bank committed to stamping out

While some of the six said the central bank should look at Europe's high jobless rate when setting interest rates, all said monetary policy could only be relaxed to foster growth once price sta-hility — defined by most as a rate of inflation in a range of zero to 2 percent had been assured.

All of the candidates said they were against sacrificing internal price stahility in the name of pursuing an external exchange-rate goal.

begin economic and monetary union next year was I.2 percent in March, according to latest data from the EU statistics agency Eurostat.

Mr. Noyer said the goal of the Euro-pean Central Bank would be to secure ong-term price stability, which he said had already been achieved in the European Union.

Hans Tietmeyer, the president of the Bundesbank, said Friday the proposed board "reinforces confidence in the future monetary policy" of the central

Asked whether he will he above political pressure, Mr. Noyer said: "I have never put aside my convictions to please. I am ready to get angry with somebody to ensure my independence. Do not have fears about my indepen-(Bloomberg, Reuters)



Christian Noyer of France says he "It was a very aggressive state-will not succumb to political pressure. "It was a very aggressive state-ment," said Guy Hewett, an analyst

CURRENCY & INTEREST RATES May a Libid-Libor Rates

Key Money Rates

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1 1/165 1.729 2.7351 0.716 0.75 1.807 1.50 1.806 1.206

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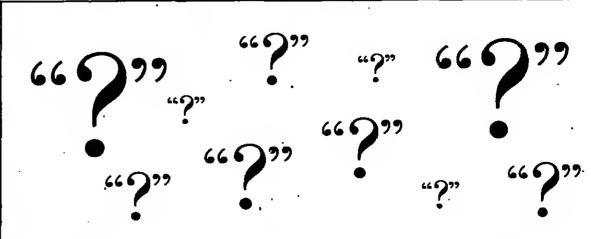
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It appears that the euro has united Europe after all.

To find out how IBM can help, visit our euro website at > www.ibm.com/euro

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Very briefly:

· Advanced Magazine Publications Inc. said that its Conde Nast Publications division will acquire WIRED Magazine from Wired Ventures Inc. Acquisition terms were not dis-

· Canada's unemployment rate fell to the lowest level in seven and a half years in April as expanded business services and retail sales provided more jobs than expected, pushing the jobless rate down to 8.4 percent.

• GTE Corp. said it had filed a federal lawsuit in Washington to block or at least delay WorldCom Inc.'s proposed \$37 billion purchase of MCI Communications Corp.

• The IMF's role in Asia is important, two-thirds of executives of the largest American corporations believe, and nearly all say the U.S. government should approve increased funding for the body, a survey conducted by the Business

 Michael Jackson, the pop star, has met with casino officials and shopped for land to build a casino, hotel and theme park complex in the U.S. Virgin Islands, the Virgin Islands Daily • U S West Communications Group said it would increase

the price of local pay telephone calls in seven states by 10 cents, to 35 cents a call. Reviers, Bloomberg, AFX

Liz Claiborne and Union Accused New York Times Service

NEW YORK - Liz Claiborne Inc., the clothing manufacturer, and Unite, the principal garment industry union, have been accused in a lawsuit filed in the U.S. District Court in Manhattan of conducting "a massive fraudulent scheme" to destroy one of Claiborne's sweater suppliers, Mademoiselle Knitwear Inc. of Brooklyn. Claiborne and the union, officially the Union of Need-

letrades, Industrial and Textile Employees, denied the charge.

Dollar Tips Lower On Talk by Japan Of a Stronger Yen

Bloomberg News

NEW YORK - The dollar fell against the yen Friday after Japan's finance minister, Hikaru Matsunaga, said his country would take steps to strengthen its currency. But the dollar rose against other

major currencies. Reduced expectations that Ger-

many's central bank will raise interest rates next week drove the dollar

FOREIGN EXCHANGE

higher against the Dentsche mark. Mr. Matsunaga's remarks came in London as he met the U.S. Treasttry secretary, Robert Rubin, ahead of a meeting of finance ministers from the Group of Seven nations. Reiterating past comments, Mr. Matsunaga said Japan would sell

dollars "when appropriate" to stop 'excessive' drops in the yen. The Bank of Japan showed its penchant for defending the yen when it sold dollars on April 9 and 10, driving the dollar down 6 yen.
"One of the things that is going to

keep the dollar in check is people know the Bank of Japan has intervened in the past," said Fernando Medina, senior currency trader at Banco Atlantico. The dollar was quoted at 4 P.M. at

on Thursday. It rose to 1.7694 DM from 1.7665 DM. The dollar rose to 5.9327 French francs from 5.9297 francs Thursday. The U.S. currency was quoted at 1.4797 Swiss francs, up from 1.4730 francs. The pound fell to \$1.6355 from \$1.6485 on Thursday.

132.845 yen, down from 133.30 yen

Wall Street Cheers Employment Report

can't even fit them on our spread-sheet page." said Jeffrey Feiner, a pers who have decided that it is

bination of the failure of several trends in inflation and interest

chains over the past two years, rates, we do not believe the con-

NEW YORK - Stocks rose Fri-

day after a report on U.S. unemployment offered little cause to worry about inflation and on indications that corporate profits are expanding.

General Electric helped blue-chip issues rise after its chairman predicted annual revenue of \$125 billion by 2000. GE rose 1 5/16 to 83 3/16, helping lift the Dow Jones industrial average 78.47 points, to 9,055.15.

"GE is indicative of what's happening in American industry today, said Michael Manns, a money manger at American Express Asset Management "Low interest rates

By Jennifer Steinhauer

New York Tunes Service

have reported their best monthly

sales gains in four years, capping

one of the healthiest quarters of

retail sales in almost a decade.

Sales in retail stores open at least a

year rose 10.2 percent in April,

For the first quarter of 1998

which for retailers runs from Feb.

1 to April 30 - same-store sales,

or sales in stores open a year, rose

6.5 percent, according to the report

Thursday. That was far above any

other quarter in the past 10 years

with the exception of the first

quarter of 1994, when sales rose

Retail Composite Index.

according to the Goldman, Sachs

NEW YORK - U.S. retailers

stocks can appreciate."

triggered by a government report change. that showed the jobless rate fell to

U.S. STOCKS

4.3 percent in April, the lowest since 1970. Even so, slower growth in traded U.S. issue, rising 21/8 to 851/2manufacturing jobs suggested that after falling Thursday on worries the economy may slow enough in about the company's antitrust troucoming months to let the Federal

strong, with the Standard & Poor's dows 98 software but intend to chal-

Retailers Fete Quarter's Sales Bonanza

retail analyst at Lehman Brothers.

Nearly every piece of economic data over the last two years has

pointed to consumers willing to

spend. Unemployment has been at

its lowest in a quarter century and

inflation has remained almost

nonexistent. At the same time, the

stock market has been buoyant, and

consumers have been buying new

Despite all this good news,

however, spending in general re-

tail stores has mostly lagged be-

hind, with many stores actually

losing money many months of the

year. Retailers turned a corner this

spring, however, helped by a com-

7.9 percent. chains over the past two yours, the numbers are so good, we tighter inventory management sumer is spent out.

homes and antos and traveling.

numbering losing ones by a 9-to-5 The market's advance was ratio on the New York Stock Ex-

> with the Nasdaq composite index rising 29.24 points to close at 1,864.38.

Microsoft was the most actively bles with state and federal author-Reserve forego raising interest rates. ities. State amorneys general will not The broader market also was halt the launch of Microsoft's Win-

time to restock their closets.
"If you look at 1996," said

Richard Banm, a retail analyst at

Goldman, Sachs, "retail sales

were up 3 percent. In 1997, we

crept up to 4 percent. But now, we

are up 6 percent, year to date.

People feel good about going out

and spending money."

Overall, all types of merchan-

dise sold well in April, with the

cheapest and the most expensive

stores faring the best, as has been

shopping for apparel, and things

were by and large sold at full price," Mr. Feiner said, "Given

"Warm weather sent people out

the trend for several quarters.

and benign inflation" coupled with a 500 index closing 13 points higher lenge restrictions that the company wants to place on computer makers, wants to place on computer makers. said Friday.

R

Intel, which, according to a Busi-Technology stocks were strong, ness Week report, may also face antitrust action, rose 3 to 84.

Ascend Communications rose 24 to 45 1/16 after analysts at Cower & Co. and Donaldson Lufkin & Ica rette Securities Corp. issued but recommendations on the stock-

Dell Computer rose 5 1/16 91 11/16 a day after saying it would build personal computers with faster digital modems to speed access an the Internet. Auto stocks were strong on ext.

pectations that the drive to save money, speed product development and increase market share may force more companies to follow the example of Daimler-Benz, which is

ample of Chrysler.

acquiring Chrysler.

Analysts say coming mergen could involve huge companies his Ford and General Motors, who have admitted to be shopping around for attractive deals. GM rose 1% to 68% and Ford gained 1/4 to 451/k.

Sports Anthonity and Woolworth proposed acquisition of the speciality retailer. Traders said Woolworth ext ecutives disclosed in a conference call that the stock transaction would: dilute its earnings by 4 percent in 1999. Sports Authority fell I 15/16 to 16 1/16 and Woolworth also lost 1 13/16 to 21 3/16. ·

Drug stocks were strong as investors looked for more break throughs like Pfizer's anti-impotence drug Viagra. Pfizer rose 414 to 11114 and Merck rose 2% to 117%. (Bloomberg, AP, Reuters)

JOBS: U.S. Economy Stays on a Roll as Unemployment Rate Drops and Inflation Keeps Out of View

Continued from Page 1

come from companies. Analysts cited weather-related factors and the Easter holiday for some of the unusual patterns. Taken as a whole, the report "really says that people left the labor force," Mr. Shipley said. Since that is unlikely in a growing economy, Mr. Shipley added, "these guys are going to be showing up" in subsequent reports.

The reaction in the financial markets supported his view that the data did not indicate a labor shortage.

In the bond market, which is the most sensitive to interest-rate configures were announced, but then recovered as investors studied the details of the report. The yield on the Hours worked at all nonfarm en-30-year Treasury bond edged up to terprises fell 0.4 percent, to an av- percent this year, even though cor- come popular in the United States growth."

5.97 percent from 5.95 percent. One notable element of the jobs report on Friday was that 10,000 factory jobs were lost last month, possibly reflecting competition from Asian imports. After the sharp falls in Asian currency values last year, the dollar prices of exports

terweight to the U.S. expansion. Mr. Shipley said the fall in manufacturing employment was a sign of declining inflationary pressures.

from the region have declined,

providing an anti-inflationary coun-

Another factor that argued against a rate rise was "the big drop in the workweek," according to cems, prices dropped sharply as the Cary Leahey, chief U.S. economist at High-Frequency Economics, a consultancy in Valhalla, New York.

erage 34.4 per week, while manporate profit growth has slowed, and are growing in attractiveness
ufacturing hours dropped 2.7 This means that price-to-earnings abroad because demographic trends percent to 40.7 hours. 'What really counts in terms of

figuring out GDP growth," Mr. Leahey said, is 'what the people who are gainfully employed do.' He said the falling workweek and first-quarter data on inventory accumulation suggested that the gross domestic product would grow at about a 2 percent annual rate in the trai bank to push rates higher besecond quarter, down from the 4.2 percent rate of the first quarter.

If the economy slows to that range, he said, the Fed would be unlikely to engineer a rate increase, no matter what the unemployment rate is.

Looked at that way, the stock market's rise Friday is understandable. The Dow has gained nearly 15

ratios, one of the most important valuation indicators on Wall Street, have been rising to record levels.

That has raised concern of a speculative bubble on Wall Street, in which people bid stock prices higher in a kind of herd mentality that does not relate to business prospects. Mr. Leahey said this could lead the cencause the inflation in asset prices might spill over into goods and services, but he noted that the "most visible sign of a speculative bubble, large increases in real estate values. does not seem to be present."

One reason for the rise in stock and bond prices is the flow of cash into retirement accounts. These have be-

make it unlikely that state pension systems will provide comfortable re-tirements. This is one reason that some analysts say that valuation measures such as price to carnings ratios and dividend yields are sustainable at their current record levels. (Dividend: yields are at record lows.) Another reason, Mr. Shipley said,

has been the near-perfect economic environment of the past few years. during which GDP has expanded at rates of between 2 percent and 4 percent a year with little inflation. The stock market likes moderate economic growth," he said, "be-cause with moderate economic growth you get stable-to-declining interest rates and you get carning

AMEX

Friday's 4 P.M. Close
The 300 most traded stocks of the day,

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U. S. STOCK MARKET DIARY

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They open let 7,227, up 114

INTERNATIONAL FUTURES



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GERMAM MARK (CAKER)
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Jun 93 5472 5543 5643 -0,0008 139,150
Sep 96 5471 5671 5691 -0,0007 1,892
Doc 98 571 -0,0006 150
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Thurs open int 142,192, off 1,921

JAPAMESE YEN (CAKER)
12.5 million yen, 5 per 100 yen
Jun 96 7977 7530 7566-0,0022 27,064
Sep 96 7658 7660 77664-0,0022 2,302
Doc 98 7658 7660 77664-0,0022 2,302 MEXICAN PESO (CMER)
500,000 peson, 5 per peso
Jun 19 . 11645 . 11640 . 11640 . 00227
50p 19 . 11245 . 11220 . 11245 . 10020
Dec 19 . 10170 . 10864 . 10865 . 00284
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Thurs open int 38,727, off 292 Thurs open int 38,727, on 393

3-MONTH STERLING ILLIFFE)

1500,000 - ph of 100 pct

Jun 98 92,300 92,500 92,500 +0,020 16

Sep 98 92,700 92,500 92,500 +0,020 16

Dec 78 92,500 92,500 92,500 +0,020 16

Mar 99 92,300 92,500 92,500 -0,010 19

Sup 99 92,300 92,500 92,500 -0,010 19

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Prev open int. 901,925 eff 9,214

3-MONTH EURDMARK (LIFFE)
DMI million - pri of 100 pct
May 98 - 96.200 9-120 9-2.25 + 0.000 10.467
Jun 98 - 96.200 9-120 9-2.75 + 0.005 796.265
Jul 98 - N.T. N.T. N.T. N.2.245 + 0.005 796.265
Dec 98 - 96.300 96.120 9-1.50 + 0.045 471,175
Jun 99 - 95.300 95.000 95.000 + 0.0045 471,175
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FTSE 100 (LIFFE)

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Ext. soles: 19.851, Prev. point: 19.40

Prev. open int.: 144.451 off 895

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WORLD STOCK MARKETS

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Friday, May 8 Ansterdam April 201

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THE RESERVE AND ADDRESS OF THE PARTY OF THE

EUROPE

German Jobless Rate Tips Down to 11.4%

FRANKFURT — Unemployment dropped in Germany in 11.4 percent in April from 12.1 percent the month before, but the number of

peak, the federal labor nffice said About 4.42 million people were dut of work in April, 202,700 less than in March, but 74,000 more than in April last year and a record high

for that month. On a seasonally adjusted basis. the number of people who were nut of work fell 25,000, to 4.39 million, as joblessness in Eastern Germany showed a decline that has been annicipated for some time.

. Western Germany's jnbless rate Swiss Advance On Jobs Front

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Littlem Keeps Out of

BERN — The inhless rate in Switzerland fell to 4.2 percent in April fram 4.6 percent in March. according to data released Friday, as the number of unemplayed fell 11,786 from the previous month to 153,897.

After years of belt-tightening. Swiss companies such as Novartis AG, a drug maker, have begun creating more new jobs than they are shedding, as demand at home and abroad accelerates. The Swiss econnmy is expected to grow about 2 percent this year, according to the Swiss National Bank, which predicts the strongest growth since 1989.

The jobless report comes after a number of indicators pointed to acity expanded for a fourth month in chasing Managers said this week. domestic companies slumped. The index of leading economic inuficators, a gauge of future economic that March industrial output had

from a year earlier.

was 9.5 percent in April, compared with 10.0 percent in March, while the Eastern rate fell to 19.4 percent

from 20.6 percent.
Chancellar Helmut Kohl's gavpenple withnut jnbs hit another ernment facing general elections in September in which unemployment

"Despite this gratifying news, the unemployment in Germany is 100 high," the government said. "It remains the Nn. 1 political chal-

The head of the federal labor office in Nuremberg, Bernhard Ja-goda, attributed the decrease in the jubless rate to seasonal factors, make-work programs and a steadier econnmy. He said it was not clear wbether the improvement would continue.

Separately, the Bundesbank said in its monthly johless report that 'signs of stabilization in the labor market are growing," at least in Western Germany.

But for the fourth straight month. activists protested in cities throughout Germany as the johless figures were released. They demanded that the government to do more to create jobs. In Frankfurt, about 300 people rallied in a central square, blowing whistles and carrying signs demanding jobs.

Rudolf Scharping, the parliamentary leader of the opposition Social Democrats, said that johlessness was "dramatic" despite the April figures. Some analysts said the improvement in the labor market had probably come too late to help Mr. Knhl's coalition in the elections.

Separate data released Friday celerating growth. Industrial activ-showed that new orders to Germany's manufacturing industry had dropped April, the Swiss Association of Pur- 1.3 percent in March, as nrders from

Combined with a report Thursday on a government prediction of The unemployment rate has been growth as high as 3 percent this year, falling since February 1997, when it reached a record 5.7 percent.

1997. (AP. Reuters. Bloomberg)

1997. (AP. Reuters. Bloomberg)

1997. (AP. Reuters. Bloomberg)



A protester in Berlin, carrying a sign that reads "Share work fairly." The number of jobless in April set a record for the month.

Chip Sales Take a Global Dip

from a year earlier as nversupply lowered prices for memory chips, an industry association announced on

Sales fell to \$10,429 hillion, the Semiconductor Industry Association said. The decline followed six months of steadily slowing growth since September.

Only Europe among the four regional markets tracked by the association - including the Amergrowth, rose 1.5 percent in March fallen, the figures could cast doubt icas, Japan and the Asia-Pacific region - bad sales growth of more than I percent during the month.

Semiconductor Industry Associ-Worldwide sales of computer mi- ation. But the group is "optimistic crochips fell by 4.9 percent in March that sales will return to historical growth patterns in 1999," he added, 'as unit demand continues to increase, and supply and demand come into better balance."

Japanese sales plunged 13.5 percent, to \$2.237 billion, in March from a year earlier.

Sales in the Americas, the largest regional market, fell 7.2 percent, to 416 hillion. European sales rose 2.9 percent,

to \$2.443 billion, while Asia-Pacific sales gained 0.3 perceot, to \$2,333 billion.

Worldwide microchip sales fell 0.9 percent overall in March from

Sales Surging, **Eurobonds** In '98 Could Hit \$1 Trillion

لفكذا من الاجل

LONDON -- The European bond market is no track for a record \$1 trillion of new issues this year, as borrowers taking advantage of near-record low yields give investors a wider range of securities to choose from.

As nf May 6, \$402.7 billion of Eurobonds bad been sold, outstrip-ping the \$273 billion sold at that point last year, according to Capital Data Bondware, which tracks bond sale figures.

Moreover, with investors already expecting a rise in official interest rates in the United States, the world's biggest economy, and in Germany, Europe's benchmark economy, it is unlikely that higher rates will dampen demand for new bonds.

'if you annualize the amount already sold, it works out to more than \$1 trillion," said Peter Price, bead of fixed income at Hill Samuel Asset Management, which oversees £8 hillion (\$13.2 billion) of bonds. 'Government bond markets are discounting interest rate rises so even if the Bundesbank hikes, it likely

won't slow down new sales." It's not the first time the market has looked set to hit the \$1 trillion mark. Last year, when \$90 billion of new bonds went on sale in January. bankers began to expect a \$1 trillion year. A slump in Asian stocks, bonds and currencies in the second half of the year smothered demand for emerging market deht, however, and the market total only reached \$746 billion for 1997.

So far, this year's only threat to the bond market setting a 13-digit record is the prospect of higher interest rates in Europe and the United States, reflected in the interest rate futures market.

The three-month September doloffered between banks.

Sydney

High Low Close Prev.

All Ordinaries: 2788.50 Previous: 2788.80

11.70 14.20 3.43 33.10 18.88 12.16 7.55 6.75 4.90 3.88 3.23 3.48 3.23 3.70

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Landon	FT8E 100	5,969.80	5,938,00	+0.54
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Milan	METEL	24015	23517	+2.12
Parts	CAC 40	Closed	3,905.36	-
Stockholm	SX 16: ,	4,986.57	4,084.54	+0.05
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Zurich	SPI	4,772.98	4,739.35	+0.71
ource: Telekurs		li	испанічилі Нега	iki Tribane

Very briefly:

The Trib Index

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244,88

228.44

217.26

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Jan. 1, 1992 = 100

World Index

Asia/Pacific

N. America S. America

Capital goods

Europe

Finance

Regional Indexe

• Robeco Groep NV, the asset management arm of Ra-bohank Nederland, said it would buy Weiss, Peck & Greer LLC for an initial payment of \$375 million, plus up to \$200 million more over the next five years depending on future profit at the U.S. asset-management firm.

· Hillsdown Holdings PLC said it would shed its chilledfood, house-huilding and furniture divisions, which make up a third of its sales, as part of a reorganization program amid falling profit.

 Scandinavian Airlines System and Lithuanian Airlines aim to establish a strategic partnership no later than Sept. 1. • Granada Group PLC and Carltnn Communications PLC said they were on track to launch their British Digital Broadcasting venture in the fourth quarter, and forecast strong profits.

 Petrofina SA, the Belgian nil concern, said it was signing a centure with the German chemicals company BASF AG to build the world's largest naphtha steam cracker, a machine that breaks up chemical compounds, in the United States. · MAN AG, the German truck and machinery maker, posted

an 18 percent rise in sales for the nine-month period ended March 31, to 15.8 billion Deutsche marks (\$8.9 billion). A ·U.S. communications satellite successfully went into orbit after blasting off aboard a Russian Proton rocket from the

lar contract has an implied rate of Baikonur cosmodrome in Kazakhstan, space officials said. 5.73 percent, or 4 basis points more • Pharmacia & Upjohn Inc., the Swedish-American pharthan the current three-month rate maceutical group, said it expected to see double-digit profit growth in the next few years. Bloomberg, Reuters, AFF

+ 1.09

+ 253

-- 0.85

+ 1.48

-0.26

+0.84

Prices as of 3 DO P.M. New York time

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-0.24

+0.46

+ 1.04

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+ 0.65

-0.12

+ 0.59

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year to date % change

+ 14.01

+22.39+ 13.38

- 4.39 + 20.45

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ARKETS

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Markets Closed

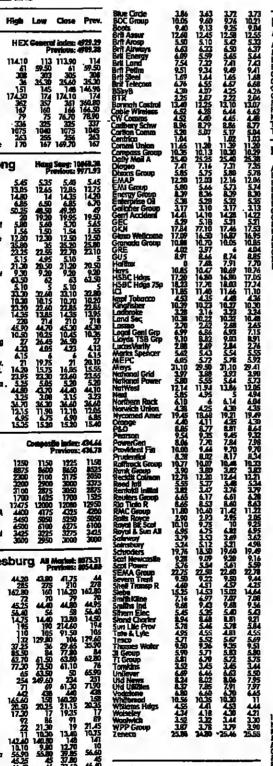
The stock markets in Copenhagen and Paris were Josed Friday for a holiday.

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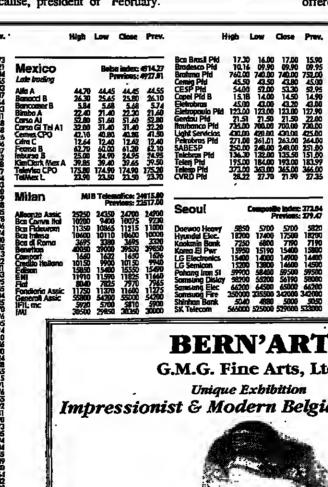
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Walter Sauer (1889-1927), The Lady in Black, "La dame en noir" Soft pencil & pastel on Japan paper, 25" x 19" (63 x 48 cm), Signed 1016 Madison Avenue, 2nd fL, NY, May 7 - May 30, 1998 Mon.-Fri. 10:00 am - 7:00 pm, Sat. 11:00 am - 5:00 pm or

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6 Japanese Cre * Milions

By Sandra Sugawara DUCTOR TOKYO - Sivashing credit smorts in d sniege. TOK 10 - I want of the first of DWHO B Ment doors, the first of what are Fee W but downs are this of what are been will be a series of closures of the transmittens as authorises as the control of the contr grexed (hase special management of constraints and and institutions as authorities flance to mul mention is authorities from a land of the savings accounts and has in MAN A after in spines accounts and headily Variette The savings accounts and negative landers. sem. Fins ions of the cream markets of the fractions, ion to banks or healther execute Stations, officials. they won Finance Ministry Said of mance and be surprised to see 2 as HILL BE of this this year and next, recause IN PROP Ministry of Finance is fartly control. केशारे प्रमा that bec

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67: Optimism Voiced on As

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Continued on Page 14

6 Japanese Credit Unions to Close

By Sandra Sugawara
Washington Post Senice

TOKYO - Six ailing credit unions in Japan announced Friday that they would shut their doors, the first of what analysts expect will be a series of closures of small institutions as authorities move to

clean up the nation's financial system. The savings accounts and healthy loans of the credit uoions will be handed over to banks or healthier credit unions, the Finance Ministry said.

I would not be surprised to see a lot

more of this, this year and next, because the Ministry of Finance is fairly committed to cleaning up the banking system," said J. Brian Waterhouse, a ... Tokyo-hased analyst with HSBC Se-

curities. He added that the closure of additional small institutions would not necessarily be a symptom of a collapsing hanking system, but rather a step toward needed consolidation.

For years, Japanese authorities have ignored calls that they close down weak banks and financial institutions. But after three major hankruptcies last November rocked Japan's financial system, Finance Ministry and central hank officials privately began indicating that they would seek an orderly closure of weak institutions.

In recent weeks, Japanese authoriues have said they now had the funds to do that, because of a \$227 hillion bank bailout measure approved earlier this year by Parliameot. The funds are in-

tended to be used to inject capital into banks, especially those taking over failed institutions, and to beef up the banking deposit-insurance system, which guarantees most deposits at in-

stitutions that are closed down.

There are 349 credit unions in Japan, most quite small. They were designed to serve small companies and local residences of an area. Phil Jones, an analyst with Thomson Bank Watch, said that many credit unions lost out when banks began expanding their business to go after more individual customers and small companies.

Nara Credit Union will be closed, and its healthy operations will be transferred to Nanto Bank, the second largest regional bank in the Osaka area.

Sagamihara Credit Union will hand over its healthy operations to Yachiyo Bank, Kanagawa Shoko Credit Union to Kawasaki Shinkin Bank and Shonan Credit Union to Atsugi Credit Union. The three failed credit unions had a total of \$435 million in bad loans, according to Kyodo. Although all three are from the same region, south of Tokyo, the closures are not expected to have any impact on the local economy because of their small size and because their operations will be transferred to other institutions, said analysts. Two credit unions in western Japan — Yamaguchi Shogin and Shimane Shogin — will transfer their operations to Hiroshima Shogin.

Very briefly:

 PT Garuda Indonesia plans to return six McDonnell Douglas MD-11 planes it leased and sell five Airhus 300-B4s to cut costs as passenger traffic plummets. The moves will eliminate about 20 percent of the national airline's fleet

حكدًا من الملصل

• The Securities Commission of Malaysia suspended the trading licenses of two stock brokerages, MBf Northern Securities and Labuan Securities. The brokerages were the targets of trading restrictions earlier this year because they could not meet minimum capital requirements. If they fail to comply with requirements by July 11, their licenses will be revoked.

· Malaysia saw the opening of a huge shopping mall, Suria KLCC, at the foot of the Petronas towers, the world's tallest huildings, despite the country's economic slump. The mall has 90,000 square meters (1 million square feet) of floor space, 80 percent of which already has been leased.

 Sumitomo Corp. has cut its forecast for net profit for the year eoded March 31 by 27 percent, to 22 hillion yen (\$165.1 million) because of losses on its stock portfolio and provisions for settling copper-trading lawsuits. Sumitomo said it had set aside 19.8 hillion yen to pay claims on lawsuits filed in connection with \$2.6 hillion in copper trading losses.

· Sanwa Bank Ltd. sold off tens of billions of yen in stockholdings during the past husiness year as part of a push to trim away unprofitable husiness and increase return on equity. The bank declined to provide precise figures.

• Intel Corp.'s Asian earnings have been underpinned by strong personal computer sales in China, which have helped offset the effects of a slowdown in the rest of the region, James Jarett, a senior executive, said. He said the Chinese market for PCs is projected to grow by as much as 30 percent this year. Andy Grove, Intel's chairman, said he was optimistic about hillion yen. Analysts said the company was hit by slack the region in the long term but cautious in the medium term.

• Mizuno Corp., a sporting-goods maker that sponsors the golf pro Nick Faldo, posted a loss of 291 million yen for the vehicles, as the economy slowed and high interest rates and the six months ended March 31, compared with a profit of 860 falling peso slashed demand.



million yen a year earlier as sales dropped 3.4 percent, to 86.75 consumer spending.

INTERNATIONAL

Bloomberg, AFX, Reuters

Daewoo Planning \$7 Billion Restructuring

SEOUL - South Korea's thirdlargest business group, Daewoo Group, said Friday that it would reduce its 37 subsidiaries to 20 and raise \$7 hillion in

foreign funds by 2000 for restructuring.
Following four other hig South Korean conglomerates. Daewoo unveiled its restructuring plan, vowing to concentrate on automobile, electronics, heavy industry and telecommunica-

It also said it would reduce the deht-equity ratio of its manufacturing sector from 413.8 percent at the end of 1997 to 183.8 percent by the end of this year through selloffs, including its most prized assets.

Separately, Credit Suisse First Boston confirmed that it is considering whether to help Dong-Ah Group, South Korea's 10th-largest industrial group, raise \$500 million and avoid bank-(AFP, Bloomherg)

An Economists' Spat in China

Compiled by Our Staff From Disputches

BELING - An economist with the People's Bank of China has denied writing a bitiog paper on China's economic pros-pects that was delivered in his name at a conference in Australia, a central bank spokesman said Friday.

The paper, which was delivered at a conference at Australian National University this week, was attributed to Yi

Gang, chief economist of the People's Bank of China. It warned of a grave impact from the Asian financial crisis that would put pressure on China to devalue its currency this year. But the central bank spokesman said Mr. Yi had denied

writing the paper. An Australian academic who had been listed as co-author of the paper said Friday that he had written it himself. "The views are mine alone," said Song Li-gang of Australian

Mr. Song said he had incorporated some of the central bank economist's research in compiling the paper. (AFP, Reuters)

aging director, Michel Camdessus, floated two proposals Congress as a remote and technocratic bureaucracy, and the Group of Seven itself.

In a speech here, Mr. Camdessus said the fund's conthe G-7 and Russia to meet every other year with 16 other countries that hold seats on the executive boards of the IMF and World Bank.

deliberately Ministers ' played down expectations for the current meeting, if only to ensure that President Bill Clinton, Prime Minister Tony Blair and other heads of govemment will have some results to trumpet when they stimulus packages, and given gather for their annual summit meeting in Birmingham, England, oext weekend.

At Mr. Blair's initiative, the leaders are meeting separately from their senior min-isters for the first time this year in an attempt to restore clindes the United States, Ja-Separately, Mr. Rubin icism of Japan's economic ment policy.

policies in a meeting with Fi-

But Mr. Rubin added that to carry out

Mr. Matsunaga said Japan would take steps to strengthen the yea, and the comments helped push the dollar down by half a yen on Friday, to 132.83 in late New

lysts remained skeptical toward the yen, given disappointment with past Japanes cent Friday, which fueled

they were begin in the 1970s. Ministers from Russia will join the meeting Saturday for

G-7: Optimism Voiced on Asia

Continued from Page 9

nance Minister Hikaru Matsunaga. He said he shared Japan's concern that the for improving the political le- weakness of the yen could gitimacy of the fund, which widen Japan's trade surplus has been criticized in the U.S. with the United States, and he welcomed as important the package of tax ents and onblic works projects approved by the government last month.

should be transformed into a fiscal package "quickly and council with decision-making effectively," and he renewed powers, a move that would U.S. calls for Tokyo to acenhance the IMF role played celerate banking reforms and by politicians. He also urged the deregulation of product

> York trading. But many currency ana-

employment rate to 4.3 perspeculation about a rise in U.S. interest rates that could

some of the informal atmo- pan, Britain, Germany, sphere of the meetings when France, Italy and Canada. moderated his recent crit- discussions about employ-

UNIONS: German Connection

hew corporation."

Daimler is not an unknown quantity to the UAW. The union represents workers at Dairder's Freightliner, heavy-duty truck plant in Mount Holly, North Carolina, and the International Association of Machinists represents manufacturing workers at the company's headquar-lers in Portland, Oregon.

But the UAW's relation-

ship with IG Metall goes back much further. The two groups have worked closely together since the end of World War II. Last February, for example, the UAW sponsored a Washington seminar with top leaders of both unions to explore the U.S. economic model and how it might be applied to the German economic system. "We have personal rela-

tionships that are very well established," Mr. Stillman said. "As you look out ahead, you do not have a desire to cut costs and lay off workers. We're not looking in the near term at workers being pitted

ficial predicted the union suit said.

situation for everybody "if certain things happened regarding the UAW and the hew corporation." would prosper. "It's not like we haven't been through some mergers before," he said. "You've got cultural questions when you're deal hew corporation." Wisconsin."

■ Shareholders File Suit

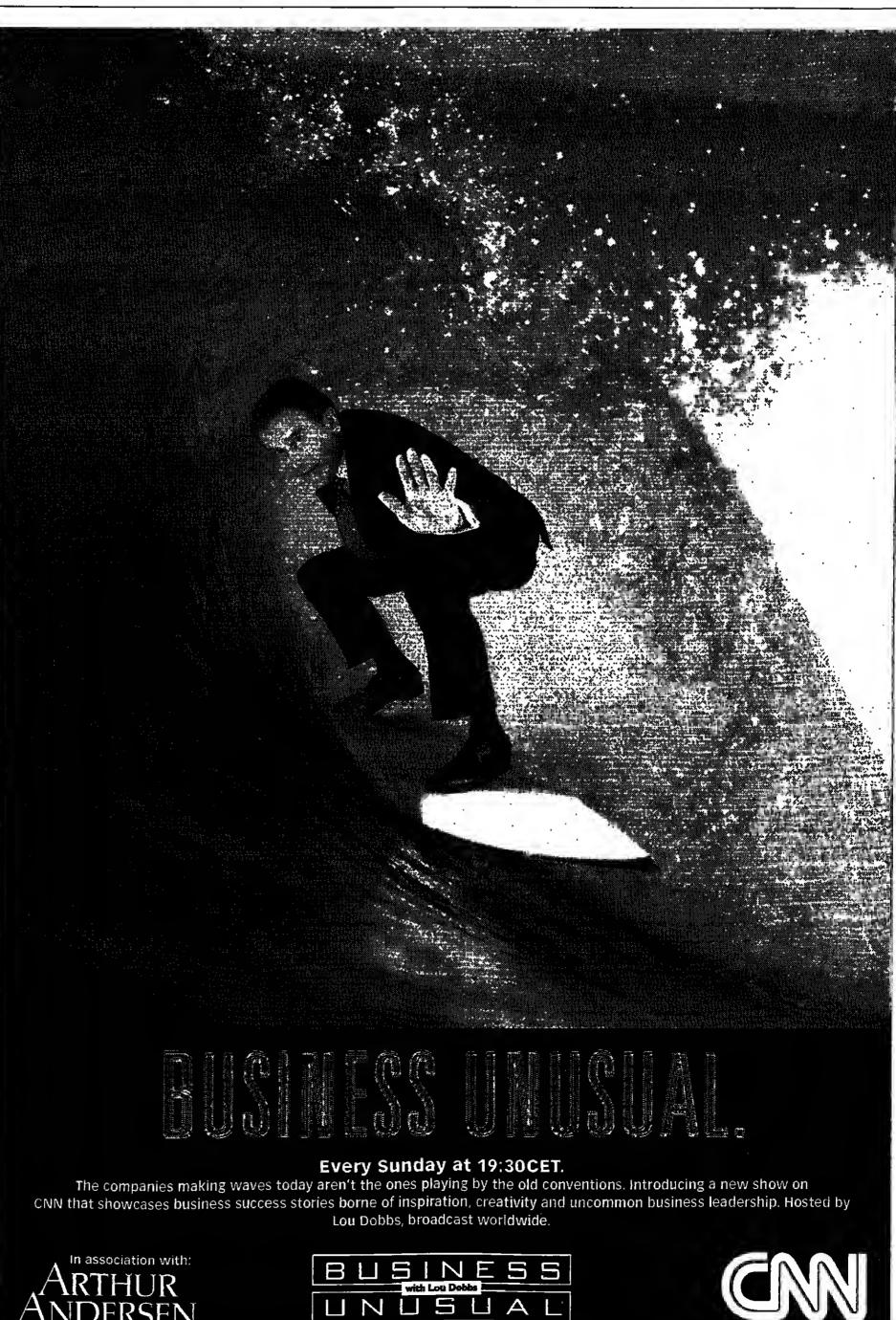
Chrysler Corp. sharehold-ers on Friday sued to block Daimler-Benz AG's acquisition of the U.S.'s third-largest automaker, saying Chrysler officials should have solicited other bids for the company, Bloomberg News reported from Wilmington, Delaware.

Dinah Friedman and the

Maryland Linotype Composition Co., both Chrysler stockholders, filed suit in Delaware Chancery Court in Wilmington, Chrysler executives did oot maximize shareholders' investment because the company did not open itself up for bids before it was sold. The suit does not specify how many shares Ms. Friedman

and the company own. "Given that Daimler-Chrysler will be a German entity, Chrysler shareholders are effectively surrendering the right under law to a proper process designed to obtain the one against the other.

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Friday's 4 P.M. Close

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By Alme Sullivar

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Staying Put To Go Far in **Travel Sector**

As Takeovers Flourish, Niches Provide Clues To Deals in the Making

By Aline Sullivan

POTTING the next takeover target in the travel and transport industry has more to do with timing and strategy than with luck. The secret is to home in on companies that are exploiting a niche and have the management discipline to stick to it, analysts and fund managers said. Buy the shares, then sit back and wait.

Anyone looking for clues could do worse than follow the moves of Budget Group Inc., owner of Budget Rent a Car, the world's third-largest car and truck rental company. Budget Group recently took over the Arizona-based Cruise America Inc. in a deal worth \$138 million in stock and assumed deht. Analysts were generally hullish about the deal, predicting that Budget was well placed to continue expanding.

Also attractive to many analysts is the German slipping group Hapag-Lloyd AG, which was itself acquired last year hy Preussag AG and has been expand-ing since. It announced last week that it will spend 3 million Deutsche marks (\$1.7 million) over the next five years on its cor tourism and container shipping husilesses. Plans include expanding its chirter airline and travel agency husinesses - it plans to acquire a maiority state in the German tour operator Touristik Union International - and investing in freight forwarding.

The arline industry holds a perverse attraction for many speculative investors probably because of the great sums in olved in making jets fly.

Kevil Murphy, airline analyst at Morgan Stalley & Co. in New York, said he though the industry was approaching 'the fial leg' of consolidation.

"Te process will probably take another aree years to play out and will be of baefit to everyone, particularly shareolders in some of the acquired compnies," he said.

Airlies Inc. and Horizon Air Industries . Inc. as the most appealing of the smal-

is a great company, which could mal it on its own but is also well worth taking over, particularly by Northwest-Connental," he said. Other potential takpver targets include Trans World Airnes Inc., Midway Airlines Corp., Miwest Express Holdings Inc. and Artrica West Holdings Corp., he said.

ome of the British charter companies als are attractive takeover candidates, sal Mark Shields, vice president in the aution practice at Mercer Management Chsulting in Washington, D.C.

British Midland has smart managenot and a disciplined strategy," he sh, "But it still is a small carrier and dild be a takeover target someday." He also identified Britannia Airways. bnarch and Ireland's Ryan Air as po-

ntial acquisitions. But Stephen Klein, transport analyst Standard & Poor's Corp. in New ork, caunoned that buying shares in nall airlines in anticipation of a keover hid could prove disappointing. The hig airlines wouldn't stand a

hance of swallowing up the little ones in

day's regulatory environment," be said. They are better off marketing themselves nd their partners as seamless entities." Hans Plickert, a consultant at Greenrich Aviation Advisors in Connecticut, agreed and added that labor considerations would make significant airline mergers unlikely in the current climate.

Continued on Page 17

High (Tech) Stakes: Buying What the Big Guys Buy

By Conrad de Aenlle

FA SMALL high-technology company is good enough for Microsoft

pany is good enough for Microsoft Corp., intel Corp. or one of the other giants of the industry to invest in, it should be good enough for you, right? It depends on which company is buying and with what intentions.

The technology sector comprises a number of high-growth industries, and the acquisition of stakes in smaller companies fuels that growth, helping to develop new and hetter products and expand the marketplace in which the large companies do husiness. large companies do husiness.
"Intel and Microsoft are among the

largest private-equity investors in technology today," said Jim Davidson, managing director of technology investment banking at Hambrecht & Quist in San Francisco. "They have huge franchises that are central to what?" what's happening in the personal-computer industry, broadly defined.
"They have the same pressure as

anyone else to grow their husinesses," he added. "What they've been very aggressive about is finding complementary technology to invest in to enhance existing franchises."

Intel, the leading producer of sophisticated varieties of semiconductor chips, shops around for companies that make software which requires a big wad of processing power — meaning more Intel chips — such as graphics and communications programs, Mr. Davidson said. Microsoft, likewise, invests in firms that produce software applications which can be tacked onto the Windows operating system, Mi-crosoft's core product, and thus make it more marketable.

Investment tends to be in the United States, the buh of the world's high-tech industries. Increasingly, though, Intel is investing in Europe, where share valuations have not been as excessive, at least until the last few months, and there is less venture-capital money chasing the next hot technology firm.

Investor response typically is favorable when one of the industry leaders huys into a small company. The rationale, Mr. Davidson said, is that "these are smart companies, their tech-



Microsoft's stakes:

Apple Computer Inc-CNET Inc.

Santa Cruz Operation Inc.

nical acumen is highly respected.

When they invest in somebody, the immediate reaction is that these guys have discovered something very valuable and typically undervalued." he continued. "They, with their market presence, can help make someone more successful in a shorter time than they could independently.

That thinking can be mistaken, especially when the huyer is Microsoft, said Liz Buyer, a technology analyst at the in-vestment hank Deutsche Mnrgan Grenfell. If they really like the tech-

nology, they buy the entire company,' she said. "If they're interested and wary, they take a stake. It helps them monitor development.

Microsoft has acquired a reputation for learning about a partner's business and then competing against it. So while it used to be a plus to be able to tell other investors that Microsoft has a position, now the reaction is mixed," Ms. Buyer said. "Some are comforted,

others on edge."

Microsoft is thought to have entered into one peculiar alliance with the intention of propping up a rival. Shares in Apple Computer Inc. shot up last August on the announcement that Microsoft would invest \$150 million in the flagging maker of personal computers whose Macintosh operating system competes with Windows. Some analysts saw the deal as an attempt by Microsoft

industry, suggested that Apple devote resources to companies that might produce application software for Macintosh systems. This is imperanve, the letter argued, because if Apple does not

is funding Mac-focused software ventures, leaving Apple to act as the venture capitalist, carefully selecting companies that will leverage the Mac and Apple into well-targeted mar-kets," it said.

driven less by desperation — and more benign than Microsoft's, Mr. Davidson said that the world's leading chipmaker is not always innocent. He cited Intel's 1992 purchase of a 20 percent stake in VLSI Technology Inc., which makes chip sets, a small collection of chips that

after Intel's investment, then fell after

A more felicitous result occurred after Intel bought Chips & Technol-

saw the deal as an altempt by Microsoft to keep U.S. government trusthusters at bay. The philosophy seemed to be: If you can beat 'em. join 'em.

Apple cannot seem to beat anybody these days. A recent issue of DEMO-Letter, a newsletter about the software

do this, no one else will. 'No venture capitalist that I can find

While Intel's motives generally are regarded as similar to Apple's - hut control microprocessor memor-

> puter systems. Chip sets are "necessary hut not highly valued," Mr. Dav-idson said. "Intel invested to help VLSI expand its chip-set

ies and other key personal-com-

business, then Intel got into the business." VLSI's stock did well soon its larger parmer usurped its niche.

ogies Inc., a maker of graphics chips, in February. 'That worked out great for shareholders,' Mr. Davidson said. In-tel's offer of \$17.50 a share was a 25 percent premium over Chips & Tecb-



Intel's investments:

VLSI Technology Inc.

Chips & Technologies Inc. Wholly owned

nologies' market price at the time. "As a general rule, what people in the investment husiness think is that Microsoft and Intel are the most wonderful partners you can have and the most dangerous partners you can have," Mr. Davidson said. "At some point do they acquire the core competencies to compete? Technology is a

unique animal. So are the entreprenerds who start tech companies. For them, the reasons to sell out can be more compelling than the reasons for huying on the coattails of a larger company that takes a stra-

tegic stake.

'A lot of small companies have one or two contracts and can't get any more because people are afraid they won't have enough capacity, said Carl Wilk, who manages the Munder Micro-Cap mutual fund.

Having a large partner eliminates much of the concern. A deep-pocketed investor can also provide resources for corporate expansion that would otherwise be hard to come by.

A third reason, reflecting the mercurial nature of high technology, is that when you get a small guy starting a shop, he's trying to create technology so he can sell out and make a quick

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buck," Mr. Wilk said.
"Unless it's really something new, the
big boys are going to do it," he added. Cisco Systems Inc., for instance, "huys the technology, then cashes out management," he said. "They take their money and go on vacation or else

start over." If investing in a company with a large partner is a risky proposition. finding the next company to attract the interest of an industry leader is no more

of a certainty. "The only way I've been successful on acquisitions is to make sure I had a player with dominant technology in a new area," Mr. Wilk said. Referring to prospective huyers such as Microsoft, Cisco and 3Com Corp., he added. "It costs them a lot less to huy than to have their programmers sit there and try to

One area where such technology is to be found, he said, is cable television, which "at least in the U.S. and somewhat internationally is starting to explode."

"There's been a new wave of capital-spending as not only cahle companies but other kinds want to build out in the cahle bandwidth," Mr. Wilk said.

Another industry in which small companies could be targeted, he said, is wireless communications, especially in Europe, where deregulation is accelerating. He said that the easiest way for companies to expand in telecommunications was to establish wireless

"Lucent and Ericsson may start huying wireless companies to grow husiness faster," he added, referring to Lucent Technologies Inc. and LM Ericsson AB.

Ms. Buyer said American Internet stocks could attract large partners, as

'It's unclear yet whether the hig media companies are going to buy or build," she said. "But if they take a stake, it begs the question; Why are they not huying the whole thing?"

M Murphy identified Alaska Air row. the parent company of Alaska Coke Investors Seeking More Fizz Find a Message in the Bottle dirlies Inc. and Horizon Air Industries. waters and Nestea iced tea.



By Ann Brocklehurst

NVESTMENT analysts love softdrink stocks because they believe the world has an almost unquenchable thirst for fizzy soda. Just about the only thing they find difficult to swallow about Coca-Cola Co., the undisputed global soft-drink leader, is its current price-to-earnings ratio of 48. The high multiple bas caused the ana-

lysts to switch from the Real Thing to the Next Best Thing: bottlers. Listed on stock markets around the world and often traded in American depositary receipts on the New York stock exchange, Coke's hottlers provide

regional plays on soft drinks.

By far the biggest and best known is Coca-Cola Enterprises Inc., in which Coca-Cola holds a 44 percent stake. Its shares more than doubled in value in 1997, to \$33.5625 on Dec. 31 from \$15.875 on Jan. 2, as it rapidly expanded the territory it covers in the United States and abroad.

Last month, Coca-Cola Enterprises announced plans to buy Coke South-west, the fifth-largest U.S. Coke bottler, for \$1.1 billion. CCE shares traded late Friday at \$36.60.

Coca-Cola Enterprises' spectacular success has helped to pique interest in other so-called anchor buttling businesses, including Coca-Cola Beverages PLC, a newly created company that is scheduled to be listed on the London

Stock Exchange in June. Coca-Cola Beverages will take over control of the East European and Central European bottling operations from Coca-Cola Amatil Ltd., which is based in Sydney and will now operate exclusively in the Asia-Pacific region.

Investors who want to play Europe's emerging markets will no longer be exposed to the Asian markets. The Asian collapse last year was largely responsible for the drop in Amatil's share price to 12.20 Australian dollars late Friday 1\$7.70), down from 17.20 dollars at the end of last June.

The creation of Coca-Cola Beverages, in which the Atlanta-based parent will hold about a 50 percent stake, is the latest move in Coke's decade-long consolidation of its bottlers.

By selling their concentrates and beverage bases to hottlers who produce and distribute the drinks, Coke - and, to a lesser extent, Pepsico Inc. - minimized their capital investment in land, buildings, machinery, equipment, trucks, bottles and cases. Typically, the parents retain a large minority stake in the bottlers and provide them with less costly services such as management and marketing advice and assistance in quality control.

The products that the Coke affiliates sell differ slightly from market to market. In some regions the companies even have agreements to distribute products that arguably are competitors of Coca-Cola, such as Perrier and Evian mineral

Caroline Levy, an analyst with Sch-

roder & Co. in New York and a Coke booster, says the policy of creating ancbor bottlers bas been a win-win situation for owners of the affiliates' stocks. "If the companies aren't top-notch, they get taken over," she said, citing Coca-Cola Beverages Ltd. of Canada, which Coca-Cola Enterprises acquired in September 1997. "So the shareholders win," she said. "And if the bottlers are good, they grow."

But in a recent CIBC Oppenheimer report initiating coverage of the anchor bottling husinesses of Coca-Cola and Pepsico, an analyst, Ray Burry, wrote that, with the exception of Coca-Cola Enterprises, most of the hottlers have reported lackluster results to date.

Economies of scale have not been adequate; capital costs associated with the purchase of new territories, infrastructure building and product image creation have limited performance," he

'However, many of those factors formerly limiting individual company results, and therefore, stock prices, may either disappear or reverse in the near term," he added.

He now concludes that with the necessary capital invested, lessons learned from past mistakes and regional bottlers finally poised to take advantage of economies of scale, "the international car-

Continued on Page 17

Reaping the Profits of Expert Error in the Realm of the Contrarian King

N FEBRUARY 1970, more than work managing the money of wealthy investors and pension funds. Then, 10 2,000 top money managers gathered for the Institutional Investors Conference in New York They were asked what stock they thought would be the best performer for the year ahead. The consensus choice was National Student Marketing Corp., a high-flier that was then trading at \$140 a share. By July, it had collapsed to \$7; not much later, it was out of business.

I first read this anecdote 19 years ago in a book by David Dreman, "Contrarian Investment Strategy." I was booked. I became a ferocious convert to contrarianism, a style of investing that finds what the experts are doing

and then does the opposite.

Mr. Dreman is the king of the contrarians, and over the past 20 years much research has supported his original contentions. For example, it is now undeniable that stocks with low priceto-earnings ratios - in other words, stocks that investors are shunning — do better than stocks with high P/Es. Ditto, stocks with low price-to-sales ratios, or with high dividend yields—all signs of

Mr. Dreman put his principles to

years ago, he started a fund that he recently sold to Kemper. It is now called Kemper-Dreman High-Return, and it bas returned an annual average of 32.8 percent over the past three years and 22.8 percent over the past five compared with 31.7 percent and 23.6 percent, respectively, for the Standard & Poor's 500-stock index. That is impressive, considering that the fund is 24 percent less risky (by one measure-ment) than the S&P.

In the contrarian style, Mr. Dreman's portfolio is heavily weighted toward tobacco stocks (Philip Morris Cos. is his top holding and UST Inc., a maker of snuff, is second) and energy stocks (Atlantic Richfield Co. is third). His fund is also highly concentrated just 50 stocks, with more than a quarter of the assets in the first six - and has low turnover (just 12 percent annually, meaning that he holds the typical stock for eight years).

Mr. Dreman's new book, "Contrarian Investment Strategies: The Next Generation," which is about to be onblished, updates the tales and figures in the earlier books: but also makes an important new contribution. Mr. Dreman has come up with a novel way to analyze risk, which is the great mis-

understood variable in investing. Risk, in financial terms, it is best defined as volatility. There are at least two ways to quantify volatility — heta coefficients, which compare the stock's ups and downs to those of the market as a whole, or standard de-

by buying stocks. With original research, Mr. Dreman

money-market funds or Treasury bills

has come up with some startling re-sults, which he lays out in great detail in his book. For example, if you hold a diversified stock portfolio for 10 years. the prohability is 76 percent that you will get a return that is at least half the return of the overall market - or at least 53 percent, after inflation. He

JAMES GLASSMAN ON INVESTING

viation, which tracks the stock's consistency against its own track record. But Mr. Dreman argues that heta and

standard deviation are crude tools. "A realistic definition of risk," be writes. "recognizes the potential loss of capital through inflation and taxes." Such a criterion would "tell us the probabilities that we will both maintain our purchasing power and do better than alternative investments for the period we chose," He argues that a better way to measure risk is not simply to look at gyrations, but also at the chances of losing purchasing power and the chances of losing ground to bonds and

compares these results with the returns for a bond or T-bill portfolio. On average, bonds produce a total return of 9 percent (again, after inflation) and T-bills, 4 percent, over five years.

So the chances are better than three out of four that you will get a return over 10 years that is half the average market return. But half of the market return for stocks is still nearly six times greater than the full market return for bonds! Mr. Dreman also analyzes stock,

bond and T-hill investments after taxes. The results are even more stunning. "Using this analysis of risk in the

investments over time," he concludes. "If you are in your thirties, for example, and have a goal of retiring at 65, you should buy blue-chip stocks because you have a 100 percent chance of both preserving and enhancing your capital, as well as outperforming bonds and T-bills."

That's not all. The odds, he writes, "are still overwhelming at 15 years and reasonably good at four or five years." "From a risk perspective," he says, 'bonds and T-bills give you increasingly short odds after only a few years.

They are not the investments you want

to haild your future upon." So build your future on stocks especially on contrarian stocks. But which ones? "Seattle Film Works." writes Rex

Takasugi in his newsletter Technical Disciplines. "The stock was certainly overvalued at its high of \$28.50, but has fallen about 72 percent in the last two years." Return on equity is "excellent," and the company has \$15 million in cash and long-term securities, he writes.

Another contrarian play is Southwest Airlines Co., the low-cost carrier, which Dow Theory Forecasts rates "a postwar period, stocks are the least risky top buy." Shares have fallen 20 percent

since mid-March, and Southwest's P/E ratio is 17 — fairly modest for a company whose profits are up about 50 percent over last year.

Timothy Vick, who edits Today's Value Investor, is fond of Humana Inc., the buge managed-care provider, "as a turnaround candidate in a rebounding health-care field." At a P/E of 24, the stock does not seem cheap, but its price/sales ratio is a mere 0.6 (below 1.0 is attractive), and earnings should be up 40 percent for the 12 months ended in July.

As for contrarian mutual funds, 1 have long been an admirer of Greenspring. It is heavily weighted toward financial stocks, including Crestar Financial Corp. and Long Beach Financial Corp., but also owns some interesting high-techs, including Barringer Technologies Inc., which makes sensitive security equipment that can identify explosives and which trades at a P/E of just 9. Another large holding is Griffon Corp., which makes specialty plastic films for products ranging from disposable diapers to

radar systems. So get the book, and get the stocks.

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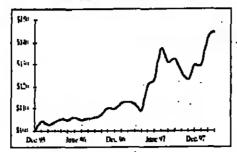
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	Category US High Yield Debt US Equity/ Merger (Investment ROR Category to 31/03/98 US High Yield 15.92% Debt (from 31/12/90) US Equity/ 14.08% Merger (from 01/01/96)

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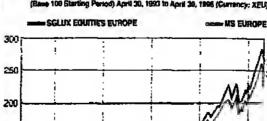
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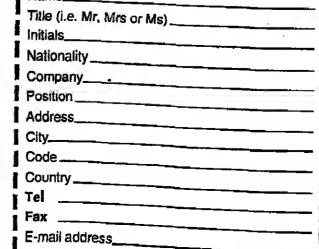
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Bad Companie

By Ann Brocklehurst

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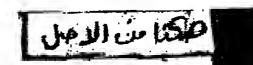
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THE MONEY REPORT

* Bad Companies' Rub Off on a Turnaround Artist

By Ann Brocklehurst

HE SEMI-TECH GROUP used to make a living by buying stakes in what its founder and called bad companies. The idea was to turn them around and improve the share prices of both the revitalized businesses and the Semi-Tech holding group.

Although this strategy involved taking oo considerable debt, it was successful - until the Mexican and Asian currency crises wreaked havor in the company's key markets.

Somewhat ironically, it is now the two publicly traded Semi-Tech companies that find themselves labeled "bad." Over the past year, most of the equities analysts who used to follow Semi-Tech (Global) Co., a multinational manufacturer and distributor of consumer electronic products based in Hong Kong, and its main shareholder, Semi-Tech Corp. of Toronto, have given up on them.

Semi-Tech stock prices have col-lapsed and the holding company's bonds are considered junk. The only reports now written on the Semi-Tech group are produced by a bandful of bond-raters betting on whether the holding company will be able to restructure itself and make the first interest payments due on its \$654 million face-value debt in 2001.

John Wegmann, a vice president at Dabney Flanigan, a Los Angeles investment boutique specializing in distressed companies, sees Semi-Tech Corp., whose bonds have a market value of \$220 million and currently yield about 35 percent, as a strong speculative buy.

He said the bonds offered investors the possibility of "stratospheric returns, which will allow you to retire much sooner than your friends."

Al Alaimo, a vice president in the Chicago office of BancAmerica Robertson Stephens, rated the bonds "unattractive" in his latest repon. He said he did not expect to see an interest payment in 2001.

Semi-Tech, which began life as a small computer manufacturer called International Semi-Tech Microelectronics, shifted focus when Mr. Ting decided to use it as a vehicle to acquire other enmpanies. He did so with minimal assets, borrnwing heavily, and Semi-Tech and its various holding companies also used equity issues and private placements to obtain funds. Semi-Tech Corp.'s problems began in 1994, when its "A" shares traded at about

\$13, compared to .49 cents late Friday.
Semi-Tech Global's turnaround of the
Singer NV sewing-machine company,
which is 50 percent owned by Senti-Tech

Corp., was seen as a model for its corporate strategy of acquiring underperforming companies and boosting their profits.

But then the Mexican crisis hit and Singer was badly burt. Although 40 percent to 50 percent of Singer's

sales came from Europe and North America, more than 90 percent of its operating income was derived from Latin America and Asia. The problem that began in Mexico spread to Brazil

and then, last year, to Asia. In 1997, Singer reported a loss of \$238 mil-lion, of which \$215 million was due to restructuring and other nonrecurring

While Singer has said it expects to be profitable in 1998, Mr. Alaimo wrote recently that he found this prediction to be "optimistic in light of the company's deteriorating operating trends and its heavy interest burden."

He also thinks the Singer stock, which secures the Semi-Tech bonds and has a current market valuation of \$550 million. may, in fact, have no inherent value.

But Mr. Wegmann not only expects Singer to return to profitability this year, cent sale of certain Chinese operations.

he finds the stock underpriced. Using a method of calculation that compares its enterprise value, or the sum of debt and equity ourstanding, to its sales, he comes up with a ratio of 1.25. He argues that this represents a 23 percent premium over

other companies in the same business, Semi-Tecb Corp.'s other major bold-ing is its 42 percent stake in Semi-Tecb Global, whose business prospects are difficult to calculate even at the best of times, according to Blaise Ganguin, a fixed-income analyst at S & P Ratings Services in Toronto.

Among other things, Semi-Tecb Global owns 66 percent of Japan's Akai Electric Co., which is listed in Tokyo and, in turn, owns 100 percent of Kong Wah Holdings and 100 perceot of Semi-Tech Europe Ltd. Semi-Tech Global's operating affiliates include Tomei International (Holdings) Ltd., which is owned 15.7 percent through Sansui Electric Co. and 44.1 percent through Kong Wah, and Sansui, which is 42

percent owned through Akai.

Mr. Ganguin said Semi-Tech Global seemed to have made some progress in revitalizing the Akai hrand name, which had all but disappeared from shelves. The company also has \$200 million to \$300 million in cash following the re-

BRIEFCASE

World's New Rich Grow Richer Than the Old Rich

Economic turmoil in Asia is having remarkably little impact on many of the region's rich. Indeed, Asians will account for \$4.8 trillion, or 21 perceot, of the total wealth beld by individuals with investable assets of more than \$1 million by the year 2000, up from \$3.2 trillion last year.

That is one of the predictions of the second annual World Wealth Report, published hy Gemini Consulting in London and Merrill Lynch International Private Banking Group. It found that the wealth of high-oet-worth individuals jumped 5 percent last year to reach \$17.4 trillion and is on target to climb a further 10 percent annually to \$23,2 trillion by 2000.

"Developed and emerging econo-mies alike are beartily embracing capitalism, entrepreneurships and free trade, which in turn are creating new busi-nesses, markets and wealthy individu-als," the report said. "While Europeans and North Americans still account for the lion's share of the high-net-worth individual market - 59 percent - they are slowing losing ground to the new wealth in rapidly developing Asian and Latin American economies.

Much of this new prosperity appears to be passing Africa by, however. The continent accounts for 11 percent of the world's population but will represent just 2 percent of the high-net-worth in-dividual market at the beginning of the new century.

The report found that in many countries there exists a striking trend toward onshore and away from offsbore investments, even in Europe and Latin America, where investors traditionally are conservative. Assets that they used to maintain outside their home country are being kept onshore, thanks to the efforts of their governments to establish favor-

able regulatory and tax environments. 'Strong local economic growth in many areas has boosted the number of wealthy onsbore entrepreneurs and more and more of these high-net-worth individuals are deciding to keep their

wealth at home," the report said.

That is good news for those countries but not so great for Switzerland, Luxembourg and other offshore locations, which together still bold a third of the assets of the world's high-oet-worth individuals.

The investment choices of the rich also are changing. Traditional lower-yield, lower-risk investments in bank deposits and bonds are falling from favor while equities are growing in popularity. That is not surprising, considering that returns on long-dated government deht in the Group of Seven leading industrialized economies has

dropped to just 6 percent from more than 10 percent in the past eight years, while the total return from the global equity markets has shot up almost 250 percent over the same period. (1HT) THE WORLD WEALTH REPORT 1998 which was published to April, can be obtained from Genniu Consulting. Telephone 44 171,340,3400.

For Vancouver Investors, Rained-Out Condo Deals?

Owoers of leaky condominiums io Vancouver, British Columbia, expect to hear hy the end of this month what the Canadian province's government thinks they should do about their soggy investments.

It is estimated that at least half of the 800 large condominiums built in the past decade are unsuitable for the city's rairly climate and that the cost of repairing the leaks could exceed 1 billion Canadian dollars (\$714 million). Many of the cnndos were sold to Hong Kong residents seeking to invest outside the territory before the handover to China last year.

At a public hearing, condominium owners complained of rotting building structures, walls and carpets. Owners who have tried to sue for repairs bave had little success because many of the builders and developers dissolved their companies after each project and began anew under different names.

While the provincial government has already ruled out compensation, Premier Glen Clark has suggested that it might help owners initiate legal proceedings to recover their losses, which bave topped \$150,000 for some individuals. The government also is expected to recommend the tightening up of residential construction laws.

In an editorial on the subject, the Globe & Mail newspaper of Toronto said that all parties involved in the various condominium ventures must accept a share of the blame. It said the huilding industry failed to police itself; public building codes were out of date and poorly enforced; lenders gave mort-gages without sufficient checking and buyers failed to demand top-quality, independent inspections.

The Missing Stock

Despite our best efforts, the Quarterly Scoreboard in the May 2-3 issue of The Money Report was missing the oame of a recommeoded stock, although all of the performance data for that stock was listed. The missing stock is Telecom Italia SpA; a full listing follows.

P.S. The recommendation was spot on.

Telecom Italia Sp.A Ticker: Ti Sector, Telecommunications

3y, Richard Worts, GAM Global Asset Management
Production: Busy, undervalued
Jasue Jap. 24
Price them: 12,360,00 line
Price April 34: 13,612,00 lire

The Next Best Thing Is Bottling the 'Real Thing'

Continued from Page 15

bonated soft-drink bottling business operates in one of the most favorable environments of any major industry in

The world's increasingly affluent consumers hanker after soft drinks for a variety of reasons.

In Mexico, soda is especially popular due to the poor quality of the water supply. In indonesia, where much of the population is Muslim and does not drink alcohol, seft drinks often replace beer for recreational drinking.

In othe countries, drinking a brandname softdrink is simply an affordable

. BURRY suggested that inestors interested in regional cottling affiliates limit their risk by hying a portfolio that includes

"Thisapproach," he said, "is crucial to the injestor's effort to take advantage of the irreasingly positive anchor-bot-tler indury fundamentals while, at the same time, avoiding the potential major pitfalls if emerging-market investing." Mr. turry has assembled a group of

seven bottlers that, he says, will together outperform the market. He has further singled out as "strong buys" a portfolio of three companies that he expects to beat the group.

His top picks are: Panamerican Beverages Inc., a

Coca-Cola bottler operating in Brazil, Colombia, Costa Rica, part of Mexico, Nicaragua and Venezuela;
• Pepsi-Gemex SA de CV, the lead-

ing bottler for Pepsico in Mexico; and Whitman Corp., Pepsico's largest independent bottler, whose territories include the U.S. Midwest and regions of Poland and Russia.

Mr. Burry has a target share price of \$43 for Panamco compared to current levels of \$36.50; \$17 for Pepsi-Gemex, compared to \$13.50 and \$21.00 for Whitman Corp., compared to \$19.28.

The four remaining companies in the CIBC Oppenheimer bottlers group are Coca-Cola Enterprises, Coca-Cola Arnatil, Pepsi-Cola Puerto Rico Bottling Co. and Coca-Cola Femsa SA, which produces and distributes soft drinks for Mexico and Argentina. All members of Mr. Burry's group are listed on the New York Stock Exchange.

Kathleen Heaney, an analyst at BT

Alex Brown, shares Mr. Burry's enthus:asm for Panamco, the largest softdrink bottler in Latin America. She believes that the acquisition of Venezuelan plants and the inclusion of that country in its territory will help Panamco boost this year's earnings by

LSO KEEN on Panamco is Laura Meizler of Salomon Smith Barney, who rates it as a "medium-risk strong buy." She noted that its presence in six countries makes it diversified and that its operating history in each of the six countries goes back at least 50 years, helping to mitigate risk.

Ms. Meizler also likes Pepsi-Gemex. which she describes as "in the midst of a turnarouod." She added that its volumes had risen sharply this year, mainly as a result of its attempts to develop better relationships with its re-Although Ms. Meizler acknowledges

that Coca-Cola Femsa has had a twoyear head start, she sees more than enough room for two strong players in

the growing Mexican market.
The bubbly view is certainly sup-

ported by Coke's recently published 1997 annual report, which notes that sales of Coca-Cola products have now reached more than a billion servings per day with per capita levels in the United States just over one serving a day.

But Coke's chief executive, Douglas Ivester, thinks there is still plenty of room for expansion. On the same day that bis company

had its first billion-serving day, he wrote to shareholders, the world also drank some "47 hillioo servings of other beverages — which means we have plenty of opportunity still ahead."

Shares of the bottlers mentioned in this article are traded an the following stock exchanges:

COCA-COLA AMATIL LTD, continuo shares trade on the Sydney Stock Eachunge Hicker: CCL t. The company's Amer-scan depositary receipts (CCLAY) trade on the New York Stock COCA-COLA ENTERPRISES INC. (CCEL PANAMERICAN

BEVERAGES INC. (PB), WHITMAN CORP. (WH) and PB SI-COLA PL'ERTO RICO BIITTLING CO. (PPO) contrior thates trade on the New York Stock Exchange. COCA-COLA FEMSA SA American depositary (KOF) trade on the New York Stock Exchange.

PEPSI-GEMEX SA DE CV global depositary receipts (GEM) trade on the New York Stock Excitange. COCA-COLA BEVERAGES PLC common shares justed on the London Stock Exchange in June.

Trivel Sector Niches

ments are attracting unwel-come ittention lately. Gov-reached last year. emmets on both sides of the Atlant have pledged to investigle consumer complains that gint alliances are encouraging ising fares and declining corpetition.

In he United States, the debæ was fanned last week e announcement that Unit Airlines, the country's largst carrier, and Delta Air Lin, the third-largest, will linkheir route systems and freient-flier programs. Similargreements exist between Norwest Airlines and Contimatal Airlines and between Aerican Airlines and US Aways.

complaints about links be-

tven tour operators and mel agents are sounding spers argue that a spate of orgers and acquisitions has de the relationship between t two services all too cozy, the traveler's expense. Hotels are a safer bet for eculative investors, some alysis said. In the United tates alone, hotel industry nergers and acquisitions btaled \$32.2 hillion in just he first quarter, according to

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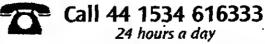
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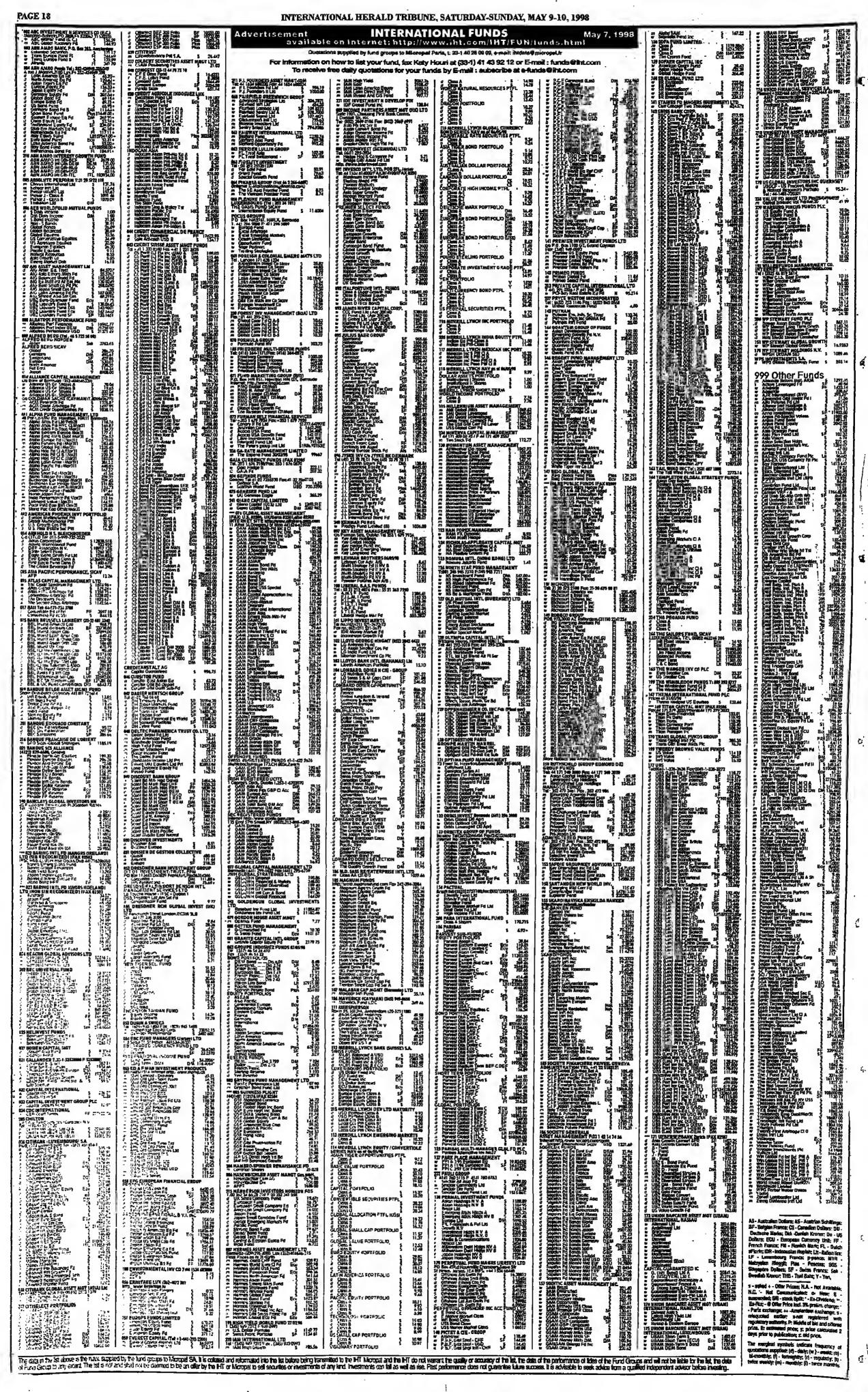
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الكذا من ألاصل

(5.7) (3.7)

Official Name: Arab Republic of Egypt

LANGUAGE: Arabic, with English widely spoken

Currency: One Egyptian pound = \$3.39

1998 ESTIMATED GDP PER CAPITA: \$1,332 1998 ESTIMATED GDP GROWTH: 5.2 percent

INFLATION (YEAR TO JANUARY 1998): 3.8 percent

1998 ESTIMATED UNEMPLOYMENT: 10 percent

1997 EQUITY MARKET RETURN: 20.9 percent

SEEKING STABILITY

IN THE MIDDLE EAST

Amre Moussa, Egypt's minister of foreign affairs, is one of the country's most prominent figures on the international scene. The 61-year-old graduate of Cairo University was his country's permanent representative to the United Nations before assuming his current post in 1991. He recently responded to questions pertaining to Egypt's

Haw da you assess Egypt's role in the world, the Medi-

Historically, and because of our strategic location, Egypt plays an active part in the Arab. African and Mediterranean settings. Today, we are pursuing an agenda to promote stability and progress by promoting cooperation, joint in-

vestments and enhanced economic interaction. We are active in a number of international organizations and forums. including the Organization of African Unity, where we discuss the political, economic and social problems facing

the African continent. We also have a proactive dialogue with our European partners and are engaged in discussions with

the European Union in an effort to create a mutually ben-

Hos Egypt's recent economic prosperity and the evolving

Foreign policy is directed to continuing the success of

peace dividend had any impact on the country's role in

Egypt's economic program. To that end, I have undertaken

numerous visits throughout Africa with officials and busi-

nessmen to probe new markets and find new partners for our

How serious is religious extremism ta Egypt and its

terranean basin. Africa and the Middle East today?

1998 ESTIMATED GDP: \$82.6 billion

TRADE DEFICIT (1997): \$9.29 billion

LABOR FORCE: 17 million

present and future.

eficial partnership.

emerging private sector.

neighbors?

POPULATION: 62 million

CAPITAL: Cairo

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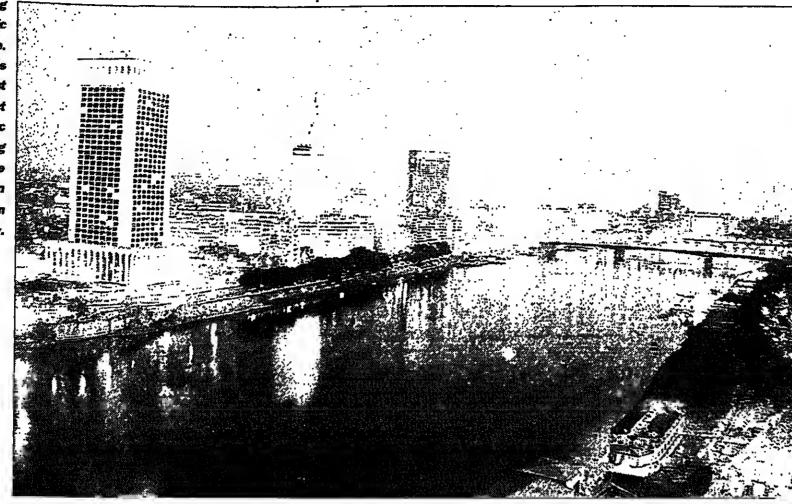
Source: Ministry of Economy

EGYPT IN FIGURES

AREA: 1 million square kilometers (5.5 percent populated)

EGYPT: THE STABILITY DIVIDEND

Egypt's profile is taking оп new light as economic indicators improve. The budget deficit has shrunk from 24 percent of gross domestic product to 1.5 percent, a dramatic turnaround in keeping with the new climate of reforms, privatization and liberalization of the economy.



LONG-TERM PEACE AND A PROSPEROUS ECONOMY

Egypt is reaping the dividends of two decades of peace and structural economic reforms implemented during the 1990s.

raditionally a cultural and political cornerstone in the 1996. Indeed, Parliament renewed its vote of confidence in duced debt, a stable currency and increased foreign investment. This economic transformation, which a report by around." state-dominated economy.

A new vocabulary

Privatization, liberalization and deregulation have become the watchwords from Alexandria to Aswan, and a variety of bridges span the Nilc, and a major multibillion-dollar land interest. laws conderning investment guarantees and incentives are on reclamation program called Toshka is under way. A rotal of the books. The government is also facing development \$60 billion has been spent by the government on energy. of our international oil prochallenges in social services, health care, education and the environment.

imously applaud the efforts of economics-trained Prime called Dreamland, near Cairo, undertaken by a private Minister Kamal El Ganzouri, who took office in January businessman, is perhaps symbolic of today's upbeat mood.

Mediterranean basin. Egypt now also boasts a healthy the government's economic reforms and privatization pro-omy are also being touted as ecoromy featuring steady growth, low inflation, regram last March, and there is a sense that the payoff will persuasive elements for forincrease in the future.

"I have been in business and politics in Egypt since 1942 the terrorist attack by Islamic the U.S. Embassy in Cairo called a "remarkable turn- and have seen royal, socialist and military governments." in contrast to what was the country's inefficient says Ihrahim Salem Mohammadain, the 77-year-old former minister of industry, who is now chairman of the Alexandria November had a negative ef-National Iron & Steel Company. "This is the first time I have fect on tourism and the econfelt that there is a sensible, long-term economic plan."

There also seems to be progress at every juncture. New dampen long-term foreign transportation, housing, sewage, education and other infragram, and we are enthusiwirronment.

Structure projects since 1982, and last month Egypt launched astically investing more aggressively than ever before." says Michael Coffield, the president of Seagull Egypt, a U.S. oil

Peace and a solid econeign investment. Although militants that killed 58 foreign tourists in Luxor last omy, analysts say it did not

"Egypt is the comerstone



President Hosni Mubarak is leading the drive to improve

management and productivity.

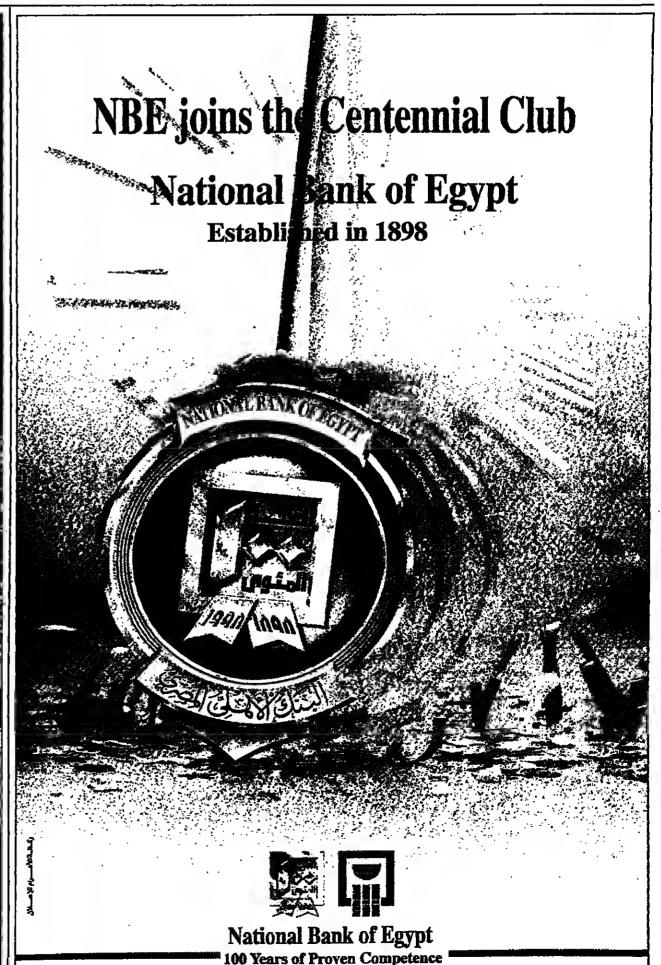
Continued on page 21

Terrorism and extremism have become worldwide phenomena, from Tokyo to Paris to Oklahoma, and Egypt has had its share. Although no government can guarantee 100 percent safety, we have taken all the necessary steps to face the threats posed by terrorism and to protect our citizens and

Continued on page 20



A JOURNEY OVER EIGHTY SEVEN YEARS



PRIVATIZATION PROGRAM WIDENS ITS SCOPE

A book on the desk of one government official Is entitled "Egypt: Privatization and Beyond," and Atef Ebeid, the minister of the public enterprise sector, is informally known as "Mr. Privatization "

Although its initial pace was somewhat conservative, privatization Is now in full swing and has expanded to almost every sector of the economy - from tourism, services and heavy industry to utilities, public transportation and telecommunications.

Almost all key sectors, including utilities, are now being

fected by the privatization process.

ies will be converted into share-issuing companies, and the government confirmed this spring that it will sell 20 percent of Telecom Egypt and one of the four public-sector banks. The only sacrosanct business areas, says Mr. Ebeid. are military factories, the petroleum authority, the Suez Canal and the supply of water to the poor. Yet. "Mr. Privatization" is still frequently criticized for not moving more quickly.

Even Egypt's govern-

Says Klaus Ebling, the managing director of mental economic authorit-Siemens Ltd. in Egypt: "The privatization of some hopelessly overstaffed and inefficient public concerns is still very stow." Indeed, some 85 heavily indebted companies in areas like textiles, metallurgy, engineering and construction are only now in the process of being restructured. Mr. Ebeid predicts that a dozen will be closed and the others offered, debt-free and without a labor surplus, to capable investors during the next few years.

Slow and steady nesspeople who formerly criticized the pace of privatization are changing their tune, "Although I wanted faster changes, I think t might have been wrong in view of what has recently occurred in Asia," says MIBank's senior general manager, Mohamed Ozalo. 'The government's policy

of gradual privatization has

proved quite wise, because

it did not disrupt the social

and industrial fabric." To date, 82 of 314 companies targeted for sale have been privatized. and 35 more are scheduled to be sold by the end of the year. The government, which is averaging the sale of about 10 companies each quarter, expects to reap more than \$15 billion when the program is com-

Mr. Ebeid is convinced that his successful efforts will put him out of a job. There will not be a public economic sector in five years, and the government will simply take care of services in areas which do not attract private investors, ike education and health,' he concludes. "The ministry will close, which is why I am currently located in ren-

3000 B.C., Ancient Egypt

The key of life

1998 A.D., Modern Day Egypt

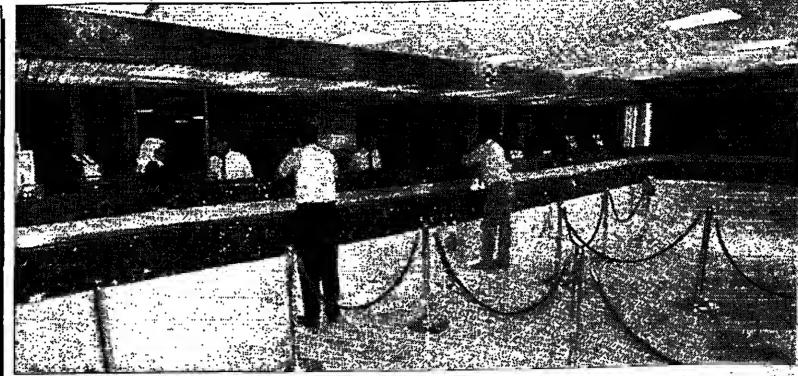
A key to a better quality of life

GlaxoWellcome

"A research-based company whose people are committed to

fighting disease by bringing innovative medicines and services

to patients and health care providers throughout the world."



New services and interest-rate cuts are among the transformations being introduced in Egypt's 80 banks

BANKS TAKE STOCK AND HEAD FOR STOCK MARKET

Deregulation has considerably enlivened the financial sector, which is increasingly moving into private hands.

he hands a visitor a handful of conomic reports on the country: "The Egyptian financial and economic story should be shouted from the rooftops." The economic analyses by reputed broker-Beauty" and "Egypt: Emerging From the Past," are part of a flood of recent market research pertaining to

the country. Indeed, the stock market market. on El Shcrifein Street in morning as traders from 120 companies sit behind computer screens ready to buy ted companies at the opening

rapid rise and fall of a few change.

ays Sherif Raafat, the years ago." says Rasha LashThe stock market embodtional Bar
chairman of the Egypir. a 25-year-old trader for ies the high level of excitethis year. lian stock exchange, as EFG-Hermes. "We're now a ment seen throughout the mature market."

The stock market, which had

Flood of capital

last year, currently has a market capitalization of \$20 bil- nancial services offerings. age firms, which have titles lion. Ms. Raafat predicts that like "Egypt: The Sleeping the market capitalization will soon increase to between \$50 says Ahmed Shawki, manbillion and \$70 billion beaging partner of Mostafa cause of privatization and a Shawki & Co., the Egyptian number of family-held member of the Deloitte companies coming to the "We are moving from a

Cairo, with its impressive closed economy with cartels ance market is still not sochandeliers in the entrance- and monopolies to the broad- phisticated and must be libway, is poised for activity one cst, largest and widest capital market in North Africa." observes Ms. Raafat, noting that the country's Capital and sell some of the 624 lis- Market Authority has signed an agreement with the U.S. Securities and Exchange The Cairo exchange has Commission for technical assettled down following the sistance and information ex- Alexandria, Banque Misr.

country's financial sector. Egypt's 80 banks have been fluenced by state owneraltered by deregulation mea-

cuts to a flurry of new fi-"The banking sector is competitive and thriving." Touche Tohmatsu Internanional accounting firm. "But the very conservative insur-

Privatization has also jor public-sector banks which include the Bank of Banque du Cairo and the Na-

"Decisions by the public banks are somenmes still inship," acknowledges Aly sures, which have produced Dabbous, managing director. a return of over 20 percent everything from interest-rate of the Arab International Bank, in which the Libyan government has a 28 percent stake, "Their future is the big currency notes and acting as question mark in Egyptian banking liberalization.

Banks are also taking themselves to the stock market. The private Egyptian Gulf Bank, for example, will market 20 percent of its cap- and regarded by many as ital in a share offering early next year.

The added capital will be used to open new branches. eralized before it joins the increase electronic networking. expand retail products. entered the banking arena. introduce a credit card busi-The government plans to ness and expand into the inprivatize one of the four ma- vestmeot banking sector." says Mohamed Barakat, the bank's managing director.

> NBE centennial The National Bank of Egypt and investment banking. It feted its 100th anniversary: also has interests neprivate earlier this month with a equity closed country funds. three-day conference that like the Egypt Trust Fund and brought more than 1,000 the Nile Growth Fund, and is #; leading members of the local · involved in equity participaand international financial tion in almost 200 different community to Cairo. The event included a night at the Cairo opera and a folklore

The guests, including 120 foreigners representing institunions like the World Bank. Hussien, the bank's execualso received commemor- tive general manager ative coins, a book tracing the bank's history and a government-issued stamp that featured both the bank's modem Egypt and capture at east its tower building near the natural 20 percent slare of

to eradicate it.

cerns for the funare?

peace process, and this can

The stock market embod- tional Bank of Egypt -- later were at the corner of Kasr El Nil and Sherif Streets, now the offices of the Egypt's Central Bank

The National Bank of Egypt was created on June 25, 1898 to attract British capital and provide funds for development projects. It was also entrusted with issuing banker to the government.

While the state-owned institution, which has total assets of almost \$k6 billion. is becoming venerable, it is still the country's largest bank trimble and innovative. It was the first Egypnan bank to sell mutual funds in the country. the first to establish a leasing company with foreign expertise, the first to issue GDRs in the international marketplace and the first on

the Internet. With 10,000 amployees and 343 domestic branches. the bank is involved in a blend of commercial, retail development

"We try to take the lead in party at the monumental Cit- most Egyptian phijects in tourism. banking. housing. food security and irdustry. says Hussien Abd: Aziz

Standard & Poor's predicts the institution will "exploit its leading postinn in World Trade Center and its the growing Egyptian bankfirst headquarters. Those ing market. •

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EGYPT: THE SA

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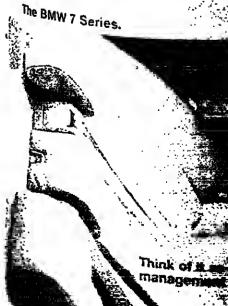
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ARAB

INTERNATIONAL **BANK**

in Egypt and the Arab World With Correspondents in all Continents

FINANCIAL SUMMARY:

Total Assets / Liabilities US\$ 2189 million as at US\$ 220 million 30/6/97 US\$ 105 million US\$ 1825 million Deposits

The Government of Egypt - The Government of Libya - Abu Dhabi Investment Authority - The State of Qaiar - The Sultanate of Oman - Private Arab Participants.

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Mohandessin Tel: 3029647 Fax: 3029651

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Tripoli, Libva

Fax: 3350365

احكنا من الاحل

SEEKING STABILITY Continued from page 19 visitors within our borders. As an international problem. however, the elimination of terrorism requires close cooperation between all natinns, particularly those that harbor leading persons in extremist and terrorist organizations. We are currently coordinating the steps needed What are voin key con-Peace and stability in the Middle East. The continu-Minister of Foreign Affairs Ame ation of negative Israeli govemment policies is killing the

lead to dire consequences for of Islam in the United States the whole region. Economic prosperity for Egypt is anand Europe.

Why does Egypt want to

other key concern, and we continue to have a role in the also want to enhance closer Middle East peace process? cooperation between devel-First, because we live in oping countries through the Middle East, And second south-south cooperation. We because we are the largest are hosting the Group nl 15 and oldest country historicsummit meeting in Cairo ally involved in Middle East May 11-13 in order to proaffairs. We have been a pimole development and co-oneer of peace for two deoperation among Third cades, and achieving a com-World countries. It is vital to prehensive, just and lasting keep in mind that our ecopeace is one of our principal nomic partnership with the strategic objectives. Peace United States is burgenning will not only contribute to and reflects our mature and regional stability and secupositive cooperation with rity but also end, once and for Washington, But another important goal is to reach an. This is important for develall, the Arab-Israeli conflict. agrecable formula for our fuopinent ture economic, political and economic prosperity not only in Egypt. security cooperation with but also for this entire geo-European countries, Lastly, graphical sphere. It will althe Islamic world is facing low the region to play its fullseveral problems, and we fledged role in the world hope to correct the misper- economy as we usher in the ception about the leachings



EGYPT: THE STABILITY DIVIDEND



IRON AND STEEL: INCREASED PRODUCTION

Exports and local demand for infrastructure projects are helping to boost sales.

Continued from page 19

gypt's economic grown in a number of manufacturing sectors, including non and steel production. The Alexandria National Iron & and steel production. The Alexandria at the latest production of the production of gypt's economic growth has fueled increased activity Steel Company, 15 kilometers (9 miles) from Alexandria at the El Dikheila port, recently expanded its annual reinforced steel bar capacity by 40 percent, to 1.5 million tons.

STACK MARKE

"We redesigned and modernized the entire plant to better unlize the facilities, meet increased demand and stay ahead of the competition." says the company's chairman and managing director, Ibrahim Salem Mohammadain, noting that 1998 sales should increase by 20 percent, to \$440 million. "Our next major step will be to launch a flat steel products plant in 2000 at a cost of \$625 million."

The Alexandria facility now includes a direct reduction The Alexandria facility now includes a direct reduction we have obtained iso you completely unit to create sponge iron, an integrated continuous easting completing the procedures to obtain ISO certification for completing the procedure to obtain ISO certificatio steel plant to produce 16-meter-long steel billets and two rolling mill plants to manufacture reinforced steel bars and natural gas is piped in from Abu Qir and water is conveyed

LONG-TERM PEACE

company Yet the country, headed by President Hosni

Mubarak, who is serving his third six-year term, still has a

bloated bureaucracy and almost 5.5 million civil servants.

Pervasive red tape is by far the most frequent complaint in the

"There is still a massive bureaucracy." admits Roger

In addition, the military and the police force still account

Patey, chairman of Shell Egypt, "but there is a drive from the

for 17 percent of the state's annual spending. There are

comparatively high import tariffs, a thriving underground

economy, housing shortages, substantial illiteracy and de-

nation that invented papyrus paper and then proceeded to

top to improve management and increase productivity."

flood itself in it.

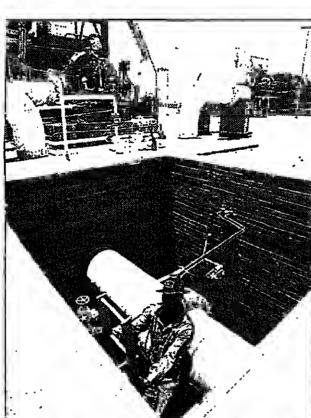
caying trban areas.

AND PROSPERITY

"This is the most modern integrated iron and steel plant of its kind in the Middle East," says Mr. Mohammadain, as he discusses the new furnaces and state-of-the-art rod and bar production lines that now meet a variety of universal stan-

Exports to countries as diverse as Spain and Saudi Arabia account for 21 percent of production, while domestically. output is used in most of the narion's infrastructure projects. including the library in Alexandria and the expanding subway system in Cairo. Inaugurated in 1986 with a nominal production capacity of 745,000 tons, the Alexandria National Iron & Steel Company now represents a total investment of \$1.2 billion.

"We have obtained ISO 9002 certification and are now environmental standards." says Mr. Mohammadain, noring that \$17 million has been spent on fume extraction and rods. Raw materials are imported through El Dikheila. monitoring systems. "Our plant is cleaner than similar installations in Germany, Japan or the United States, according to the foreign engineers who pay us a visit." .



Oil companies are among the foreign investors increasing their take in Egypt.

Social dividends as well But the economic dividends are expected to serve as a long-term paracea to the lopsided distribution of wealth and to remed many visible social disparities.

Or tremendous economic energy is enabling us to fight poverty and illiteracy through increased employment opportusities." says Maged Abaza, general manager of business development for the International Group for Investment, one of the largest private-sector business groups in

hile some Arab neighbors still criticize Egypt's rapproclement with Israel, and the militant religious element is term peace and economic prosperity could give it that an opvious concern, few analysts take the position that internal or external threats will destabilize the government or the economy. Rather. Egypt is expected 10 increasingly employ its economic prowess and strategic geographical location to regain its former pre-eminent status in the Middle . an Arab Common Market.

Ropert Mantran, a noted Islamic specialist in France. "Long-security."

opportunity." Indeed, Egypt is now negotiating a partnership of 62 million people, high Mobil, General Motors and with the European Union: is host to the Cairo-based Middle East North Africa Development Bank, which finances crossborder projects: and is even reviving the long-debated idea of

The Egyptian people are determined to turn a new Egypt wants to resume its historic role as an Arab leader chapter in their history," President Mubarak has said. "Our and the main link between the Occident and the Orient." says

THE FINANCE MINISTER'S PERSPECTIVE

صكذا من الاجل

economics Fund since getting his form. Ph.D. at the Massachuing an interview at the lem? Ministry of Economy in downtown Cairo.

complishment?

We have a sustainable occur within five years. and stable economy today because our fiscal discip- gendary bureaucracy? line led to monetary disbecause it is repeatable. tant to foreign investors, the dangers of having an growth, and our aim is to We've broken out of the The public sector is being alienated or marginal increase exports by 10 and inflation.

And the downside? stitutions addressing in-

Youssef Boutros Ghali, come disparities could did the Luxor attack have encourage foreign in-the 45-year-old former have not have been cre- on the economy? rest We want businesses professor ated a little sooner.

who became the minister As in all developing tragedy. Though growth of economy last July, is countries, there is a se- will fall slightly as a reas optimistic about the rious gap between haves sult. the economy is economic future as the and have-nots. But I am strong enough to weather growth? business, diplomatic and somewhat relieved that investment community. the gap didn't widen and Mr. Boutros Ghali, who that we avoided major sohas also worked with the cial disturbances during International Monetary our period of economic re-

setts Institute of Tech- ployment, which could he nology, discussed the higher than your official economic outlook dur- figure. a serious prob-

I won't feel good about unemployment until we What is Egypt's most achieve our "natural" successful economic uc-complishment? rate of 4 percent to 5 per-cent, which I think will

It would take a revocipline. This massive lution to resolve the probachievement involved a lems of our bureaucracy long, painful, sweaty pro- in a quantum leap. But we the decline in revenue, ! Industry and high-cess over the last seven have tried to streamline think Luxor also made the value agriculture will be long, painful, sweaty pro- in a quantum leap. But we the decline in revenue, 1 years, But it was worth it red tape in areas impor- Egyptian people aware of the main engines for

Whot about Egypt's le-

It is unfortunate that in- trition and hiring freezes. ageous for everyone. How serious an effect

It was a terrible human

that bring us advanced technology and employ a large number of workers. What will drive future



There are virtually no restrictions on investment in Egypt, and we are developing a coherent, detailed and systematic planfor new investors'

vicious cycle of deficits privatized, and the civil class of society. People percent annually, service will gradually be realize that economic achieve this, we would slimmed down through at- growth must be advant- like to iron out our trade

What are you doing to pean Union.

Encouraging Foreign Investment

Foreign money and international companies are to be found nearly everywhere in Egypt.

lion people, and Alexandria, the chairman of Kato Aroa city of 4 million, tout everything from Motorola Arabian Solar Energy and Technology Company. And it is rare to read a copy of the daily Egyptian Gazette and not find news of yet another foreign investment deal or ted \$80 million since 1991 to contract. like the award to create a state-of-the-art man-Bechtel for a \$300 million ufacturing facility. power station or the opening of a Cairo office by companies like Amadeus or Or-

"Foreigners have been net buyers on the stock market since January 1997 and represent about a third of trading and 10 percent of ownership." says Sherif Raafat, the chairman of the Egypnan stock exchange, "My goal now is to increase the number of foreigners among our trading companies."

Sector spread

While multinational petro- nies are expanding because leum companies have been of growth in the domestic operating in Egyptian part- market, while others are nerships for decades, foreign evaluating substantial investdirect investment, joint vcn- ments in petroleum developtures and increased invest- ment, financial services, telement in capital markets are communications, banking important elements of and insurance, and food pro-Egypt's current economic re- cessing. The 2.400 U.S. form program. Egypt's assets companies doing business include the country's geo- with Egypt include wellgraphical location, its market known names like Amoco. profit margins, inexpensive IBM. and qualified labor (the Pyramids and Suez Canal are also constantly looking for frequently given as examples foreign partners. The IGI of tenacity), attractive invest- group, which has ventures ment incentives and a high level of services. "With good Informix and Marriott, is ex-

toll road between huge economic rewards." Cairo, a city of 15 mil- says Ibrahim Ahmed Kamel,

Shell Egypt. for example, is dramanically increasing investments to exploit oil and gas potential, while Glaxo Wellcome Egypt has inves-

Foreign direct

investment, ioim ventures and increased investment important elements of Egypt's current economic reform

program

A number of foreign compa-

Egyptian companies are with foreign companies like management, an investment ploring a variety of partner-

The billboards on the in any sector can still reap ships and joint ventures with venture company." companies bringing knowhow and capital to Egypt.

Experienced businesspeople encourage forto be very careful in selecting his local partner." says Klaus Ebling, the managing directhermal power-generating tor of Siemens Limited in capacity and acts as a local Egypt.

Success story

year, first entered the Egyps ncre. says Mr. Ebling. "We were ers liquidated by the British dur- administration at the Suezing World War I. closed Canal University. down in World War I! and nationalized in the 1950s, telephones to the Sinai, and But today we are enthusiastic anticipate future projects in about Egypt, and we recently both areas," says Mr. Ebling. announced an investment of noting that the company re-\$35 million, our largest to cently completed three date, to increase equity in our power substations ahead of telecommunications joint

Telecommunications, en-

ergy and transportation proiects represent 80 percent of Siemens's activity in Egypt. Foreign investment, led by eign investors, particularly but the company is also inand Domino's Pizza to Fur- Saudi Arabia and Kuwait, is smaller ones, to do their volved in industrial automa-ukawa rock drills and the climbing at a dizzying pace. homework. "My main ad- tion, information system and vice for a foreign investor is medical engineering sectors.

Siemens has constructed one-third of Egypt's installed power-generating partner in joint ventures to produce licensed quality components for power sys-The German multinational, tems. It has also laid 1.500 which is 150 years old this kilometers of fiber-optic cable in the Sinai, is intian market when it opened a stalling 2 million telephone Cairo branch almost a hun- lines over the next five years. dred years ago. "There have produced many of the count been ups and downs during try's solar-powered billhandling school

> "We brought power and schedule.

TEAMWORK



The true strength of unique talent, the true realization of expertise is best expressed when performing together in a team.

And teamwork, is of prime essence at EGB where like minded professionals work together using individual expertise and innovations as one well oiled machine.

Ensuring that you, the client reach your goal in the best and the shortest way.



Egyptian Gulf Bank The Shortest Way



When it comes to voicing their opinion on who's ahead of whom in exclusive car manufacturing, the majority votes for BMW. Whether this the performance of the BMW company or the state of the art

technology a BMW offers. Little wonder, therefore, that more drivers than ever decided on a BMW in 1997. When will you join them?

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WARKET AND MANUFACTU

EGYPT: THE STABILITY DIVIDEND

New Manufacturers Join Auto Sector

Joint ventures are the main engine of growth in Egypt's automobile industry.

seen both in the large number of locally made Fiats on last year. the road and a number of manufacturing plants established at . BMW formed a collaborative partnership and licensing opened a production facility in 1985.

tracturing models by foreign manufacturers, ranging from



BMW, in an arrangement with a local partner, is now turning out

The strength of the automobile sector in Egypt, which is cannakers. BMW and Mercedes-Benz, became the latest growing at a rate of about 5 percent annually, can be entrants in the field when they inaugurated production lines

industrial sites like 6 October City, where General Motors agreement with the Al Fotouh Company for Vehicle Assembly. ACVA invested \$40 million in an assembly plant There are currently 2.3 million cars on Egyprian roads. A using knocked-down kits and more than 43 percent local dozen joint-venture operations are assembling and manbegan coming off the line last June, are being assembled in Chrysler and Citroen to Nissan and Peugeot. Two German the Nissan plant in 6 October City under a unique arrangement whereby the two companies share the paint shop to reduce costs.

BMW provides the know-how, attends to all the planning and monitors the production process." says Operations Manager Samir El-Sherif as he tours the assembly line and points out local modifications, which include a tropical radiator. "Everything is evaluated according to European quality standards."

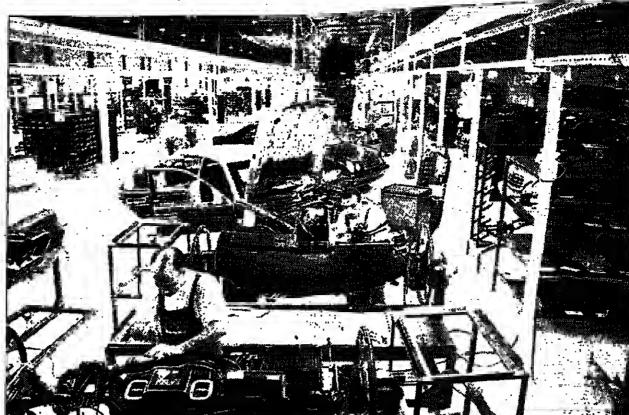
Winning both ways

Besides high quality. Egyptian consumers are guaranteed lower prices, "It costs consumers 40 percent less to purchase a car assembled locally rather than importing it and paying high tariffs." explains ACVA's national sales and marketing manager. Elwi Captan, noting that Land Rovers will be produced at the facility in mid-1999 following a further \$40

Just down the road from BMW's operation is a \$44.3 million facility that began assembling Mercedes-Benz Eclass vehicles last November. Daimler-Benz took a 26 percent stake in a joint venture called the Egyptian German Automotive Co. with its longtime importer, It was the German company's first joint venture with direct financial participation in a passenger-car production unit in the Arab

EGA manufactured its 1.000th car in March and expects annual production to exceed 2,500 vehicles during its first full year. Mercedes-Benz provided technology, factory layout, staff training and development of local suppliers. The plant is completely integrated with the German parent com-

We have complete quality control over every aspect of the manufacturing process, and the plant has the best quality and highest labor productivity of any similar Mcrcedes-Benz manufacturing facility outside Germany." says Gamal Okail. general manager of EGA, who is conducting a marketing study to determine what other Mercedes models to manufacture in Egypt. "We have enthusiastically opened the doors to our customers and use the plant as a key advertising and marketing tool." .



The Mercedes-Benz assembly plant is the German company's first joint venture of its kind with a passenger-car production unit in the





Glaxo Wellcome has spent \$80 million to create a comprehensive manufacturing facility outside Cairo.

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INDUSTRY THRIVES IN THE PRIVATE SECTOR!

Expected to grow at about 8 percent this year, the industrial sector is creating new niches.

way during the 1990s, tectionist measures - introls and tariff barriers - to nies accounted for 60 percent of industrial output. 90 percent of industrial exports and 75 percent of industrial employment.

Privatization and liberal- world. ization have led to the de-

gyptian industry, until velopment of a competitive industry is evident during privatization got under industrial sector that contribusists to more than a dozen privatization got under industrial sector that contribusists to more than a dozen way during the 1990s, utes about 17 percent to expanding industrial zones utes about 17 percent to expanding industrial zones, owned. It made use of pro- product and accounts for 13 City (the development, about percent of employment. cluding quotas, price con- Many sectors - including west of Cairo, got its name in automobiles, textiles, conand iron and steel - are expanding, while niches are be- where over 350 companies ing created in a variety of now have facilities. In adhigh-tech areas, like software dition, there are new indus-

The new face of Egyptian science park.

was predominantly state- Egypt's gross domestic like the sprawling 6 October in services, technology, de-45 kilometers, or 28 miles, commemoration of the 1973. survive. A decade ago, gov-survive. A decade ago, gov-emment-controlled compa-ceuticals, cement, aluminum. date on which Egyptian nomic and industrial situ-armed forces crossed the ation in Egypt today enables Sucz Canal into the Sinai). localization for the Arab trial developments, including nuances," a high technology park and

Egypt, of course, is still considered an emerging industrial country, but progress velopment, growth and competition during the last five years has inspired many businesspeople. "The ecome to do what I do best build industry in a nation where I understand the specific cultural and behavioral Shaarawi, chairman and managing director of Glaxo

Wellcome Egypt.
Adds Ibrahim Alimed Kamel, chairman of Kato Aromatics: "The privatesector is gening involved in bigger industrial projects as it gains confidence." Kato Aromatics, a holding com-pany whose subsidiaries are manufacturing a plane in Russia, is building an \$80 million integrated manufacturing complex in 6 October City and constructing a 278room deluxe hotel in Caire.

Foreign industrial in vestors used to a competitive marketplace often mentich other attributes of manufact

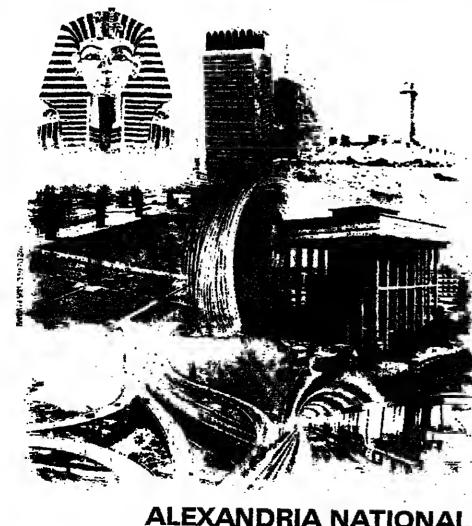
turing in Egypt.
The infrastructure is the best in the North African and Middle East area, and this it an excellent industrial base from a manpower perspect tive." says Klaus Ebling managing director of Sicmens Ltd. in Egypt. Egypt is politically stable and economically sound, which enables us to confidently undertake long-term

projects."

One challenge will be to expand the industrial base beyond Alexandria, Cairo and Port Said to other parts of the country. Another will be to further penetrate export markets with Egypt's im-proved industrial output and manufactured goods.

"We are commined to enhancing our exports both in quality and quantity." President Hosni Mubarak has said, "The aim is to make the phrase Made in Egypt a badge of high quality ever

The sphine has tisen. Today's Egypt is in larus as one of the therging economies of the build. Proud of a great herilage and cuntident of Whenly the challenges.



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EGYPT: THE STABILITY DIVIDEND



Development labs are creating products specifically for the

PHARMACEUTICALS EXPAND MARKET AND MANUFACTURING

The Egyptian pharmaceuticals market, which is estrmated to be worth in excess of \$1.1 billion this year, has been growing at an average annual rate of 20 percent. Per capita yearly expenditure on drugs is now almost \$20, compared with just over \$10 in 1994. There are more than 30 manufacturing sites, and pharmaceuticals are distributed at some 15,000 pharmacies throughout the

"We have traditionally been a base for international pharmaceutical companies due to increases in real consumption because of our quickly growing population." explains Mohamed Barakat, the managing director of the Egyptian Gulf Bank, noting that multinationals in the country include Novartis. Bristol Myers Souibb. Hoechst Roussel, Glaxo Wellcome, Eli Lilly and Pfizer, "Local products were also protected by government subsidies, and there was a budding export business in other Middle Eastern countries,

Integrated local facility

The major investment during the 1990s was made by Glaxo Wellcome, which has spent \$80 million since 1991. to create a comprehensive, integrated, state-of-the-art manufacturing facility at El Salam City near the Cairo

"We decided that the only way to enter the country was to acquire a local firm and then invest for the long term," says Negad Shaarawi, chairman and managing director of Glaxo Wellcome Egypt, who has been active in the Egyptian pharmaceuticals business for 22 years. "This is a tremendous vote of confidence in the Egyptian government. labor, economy and future."

The 120 products in Glaxo Wellcome's Egyptian portfolio include well-known Actifed cough medicine and the Zantac ulcer pill. In addition, a development laboratory creates pharmaceuticals specifically for the Egyptian marketplace.

The company, which has more than 1,000 employees, uses a variety of improved production and packaging methods, and is one of 500 companies in the world to be awarded a Manufacturing Resource Planning Class A certificate. The site has a number of International Standards Organization (ISO) certifications.

Power Sector Underscores NATIONWIDE DEVELOPMENT

Egypt is diversifying its energy sources as it expands their scope.

for 18 years.

and electricity sector are Canal to carry electricity to almost completely elimin- the desert, ated-subsidies." "Beside

Charting a growing grid always has diagrams in his for industry, agriculture, multinational

Crop production and yields have significantly increased through

Siemens Ltd. in Egypt, calls a Cairo apartment, he eagerly "realistic visionary." Indeed, points out two new 627- competitive bidding for proj-Muhammad Maher Abaza megawatt steam turbine gen- ects based on the BOOT has held the position of min-crators that will increase (build-own-operate-transfer) ister of electricity and energy Egypt's total network capa-concept. city to 15,500 MW. Then his "The minister has fulfilled finger moves to the path of a marks on the pollution in all of his five-year plans. 22th kilometer (135 mile) Cairo during tea, also points which is a major achieve- calle that will run south from out that he is cleaning up

gyptian energy is in possession to vividly display housing and tourism," says the hands of a man the status of the Egyptian Mr. Abaza who speaks about whom Klaus Ebling, power network. As he un- Egyptian energy with electronaging director of folds maps and charts in his trifying passion and is especially enthusiastic about Mr. Abaza, whose wife re-

ment in a developing country," says Mr. Ebling, noting two 225-meter-high towers five percent of our steamthat many parts of the power being creeted near the Suez powered network is gasfired, and we are increasingly open to private ownership. the Smai. He points to wind introducing solar and wind "He has also created cost- farms on the Red Sea and the energy into the network," he covering energy tariffs and location of solar collectors in says, mentioning that solar neceivity, he is proud that the hesitate to look even further from the Democratic Repubunits are mexpensive solu- \$381 million United Arab into the future. "Besides getting power to tions for isolated villages. Grid — which has high tenpeople throughout the coun- with a few hundred people. A sion cables linking Egypt, around the Mediterranean Egypt is actively promoting try, we've taken it into the longtime backer of interna- Jordan, Syria, Iraq and Tur- basin will be linked together, these schemes because we

حكذا من الاحل

The 68-year-old Mr. Ahirza desert to help reclaim land tional energy exchanges and key - will he in operation in one power-sharing grid in are at the hub of Africa, the intercon- early next year. He does not eight years, and hydropower Middle East and Europe," •

lie of Congo will be brought "All of the countries north by 2025," he predicts.

POLICY REFORM IMPROVES AGRICULTURE

The key to agricultural growth in arid Egypt is an effective water development program.

from Cairo to Alexandria was national Development. surrounded only by sand. Today. velopments like Dina Farms, a 30,000 whose company has interests in the double Egypt's agricultural land and acre (12,000 hectare) agricultural oasis agricultural field. "But we must dra-GNP in 15 years." yielding a variety of crops through the matically increase the agricultural area use of well water and mechanized production methods.

Rise in food crops

Egyptian economy has declined from ncrease in the cultivation of crops like wheat, rice, maize, cotton, clover, tomatoes, sugar cane and potatoes.

There have been phenomenal yield gains and significant increases in major erop production stimulated by policy resource management." according to could exceed \$100 billion when dams. herbs and a variety of food products.

wo decades ago, the desert road the United States Agency for Inter-canals, power generation facilities and

of the country to further promote selfsufficiency.

Mahmoud Abou Zeid, Egypt's minister of public works and water re- nificant foreign and domestic investdevelopment without thinking of water. frequently mentioned infrastructure deto better drainage systems."

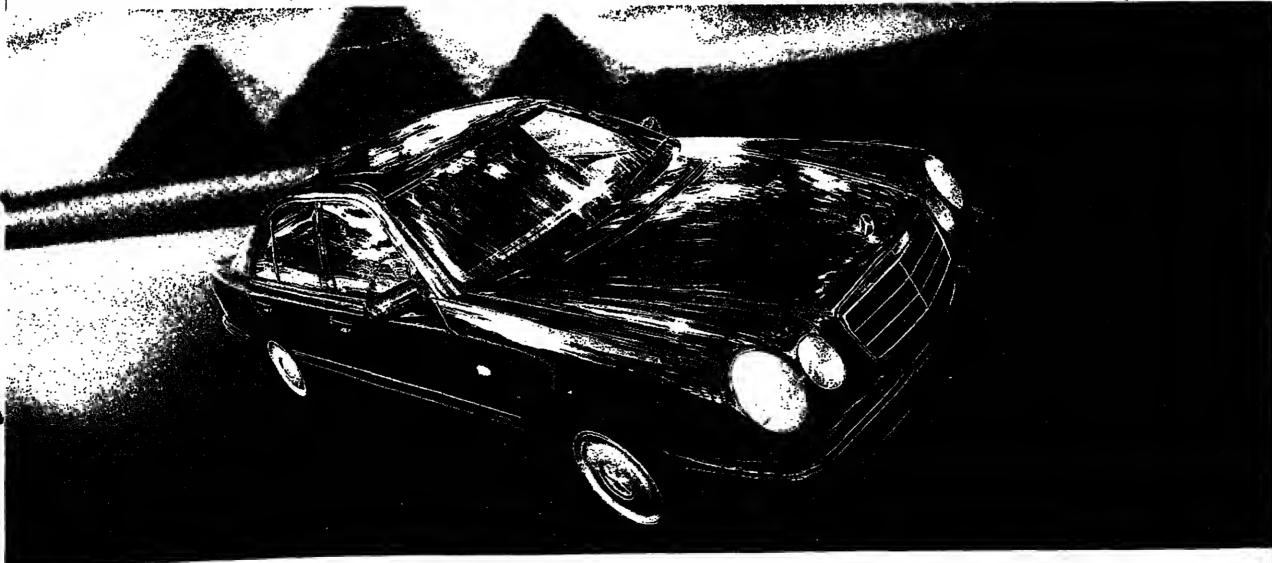
67 kilometer (42 milet Toshka Canal

water treatment plants are included. The "Agriculture is much more product-government ultimately plans to move 3 expansive green fields devoted to farmilive and automated than in the past, due million people into a 350,000 acre area. ing and agriculture dominate the land- to a liberalization program in the and a U.S. Einhassy economic report scape, and there are remarkable de- 1980s," agrees IGEs Maged Abaza, says that "by some estimates this would

Major opportunity

In order to succeed, government officials hope the project will attract sig-While the role of agriculture in the sources, says: "We cannot think of land ment, Indeed. Toshka is by far the most 20 percent in 1986 to less than 16. Most of our water development pro- velopment project in Egypt today. "We percent today, there has been a dramatic gram depends on improved use of ex- are considering a \$30 million agriculisting water resources, from recycling tural project in Toshka within the next two years if we can find a major U.S. There are also ambitious land re- agricultural company that can bring us clamation projects under way, like the the technical and management knowhow," says Ibrahim Ahmed Kamel. from Lake Nasser into the Western chairman of Kato Aromatics, which reform, research and improved water. Descri, The total cost of the project produces flowers, fragrances, seeds,

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technical excellence of German engineering at its best. A joint venture with Daimler Benz, EGA now produces the latest Mercedes-Benz E-Class in Egypt, matching the

impeccable standards synonymous with the three pointed star... in every detail.

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SIEMENS

EGYPT: THE STABILITY DIVIDEND



As large oil reserves begin to decline, many major producers are shifting their focus to natural gas exploration.

EXPLOITING OIL AND NATURAL GAS

Oil production is maturing in Egypt, but there are still new opportunities for independent producers.

more than two-thirds of all exports, is companies. easily the country's largest foreign investment arena.

eign companies — including multinationals like Agip. Amoco. British Gas. Repsol and Shell — and the Egyptian General Petroleum Corp. (EGPC). The decline curve in the major oil arrangement gets generally high marks from the oil majors.

"The EGPC has honored all of its

production-sharing contracts and agreements since they were initiated in the 1970s," says Roger Patey, chairman of Shell Egypt, which established a pres- Egypt for less than two years, but has are estimated at upward of 22 trillion ence in the country in 1911 and is now acquired interests in six concessions by cubic feet: Egypt will have an exportplanning to triple its retail outlets and buying and merging with companies able surplus of gas due to substantial double its natural gas production. "The and purchasing assets. Last month, it Egyptians have done a good job in announced it would develop a new and Western Desert. • The International Convention. Center will be the site of the merketing communications conference.

gross domestic product and aging competition between major oil

The country's maturing oil produc-tion, which has been in the range of "The future for oil product independent oil producers are increas-

ingly making inroads.

if and gas, which account fire terms of managing resources and have commercial field in a 50-50 venture almost 1tt percent of Egypt's developed concession areas by encour- with Apache Egypt in the East Beni Suef concession, a 6.8-million acre (17 million hectare) concession on both

"The future for oil production in Despite deregulation throughout the 850,000 barrels per day (b/d), with ex- Egypt is for quick-moving companies economy, the petroleum sector is still ports at about 200,000 b.d. will decline like ours to use advanced technology governed by agreements between for- to 820,000 b.d in July because of a and lower cost structures to reach sweet

> tional oil companies active in explo-fields has prompted many major proration and exploitation. In addition, ducers to concentrate on natural gas independent oil producers are increase exploration. Natural gas produces 85 percent of Egypt's thermal power, and Scagull Egypt, a Texas-based oil and automobiles running on natural gas are gas company, has been operating in a growing local phenomenon. Reserves

ENVIRONMENT GETS PRESSING ATTENTION

Legislotion is being updated to better regulate industrial pollution and encourage green initiatives.

Environmental environment a pressing and clean up their operations. fundamental national issue. Ebeid admits as she hands a environmental laws she is now updating. "Egypt certainly has environmental problems, but the government is now determined to

werecome them." dustrial installations -

resident Hnsni sponsible for at least 60 per-Mubarak created a cent of all the pollution in the Ministry of State for Nile. Sixteen of the compa-Affairs, nies have already spent a headed by Nadia Makram total of almost \$100 million Ebcid, when he reshuffled to conform to the latest enhis cabinet last July. The vironmental laws, and others minister promptly made the are currently taking steps to

*Our pollution is due primar- a chronic problem, but three ily to inaction and the fact plants near Cairo have spent that too little attention was \$24 million on air filters, and paid to environmental dam- new plants will be located age for over 40 years." Mrs. away from populated areas." Mrs. Ebeid notes, adding that visitor a copy of the 1994 there are loans, technical support and other incentives for action-taking companies. In addition, the ministry

has introduced a Cairo Air Improvement plan to mea-Already, 34 large-scale in-summer, and it is actively backing the use of natural gas mainly fertilizer, sugar and in automobiles. There are educate young and motivated technology. I want every citmetallurgical companies — also plans to increase the area men and women who can izen to realize that reducing

"Cement factories are still

Environment Minister Nadia Makram Ebeld.

change.

by 15 percent. Egypt is par-mental science," says Mrs. neipating in a number of in- Ebeid, noting that environtemational efforts involving mental standards and impact the Mediterranean, energy assessments are imperatives. sure vehicle emissions this efficiency and climate for all new development ange. projects, "I not only want the "My long-term goal is to country to acquire the best

have been identified as re- of the country's natural parks give us an edge in environ- pollution saves lives." IAA CONFERENCE

Cairo is the host city for this year's meeting.

gypt has carved out a niche as a Mediterranean conference center by playing host to such disparate events as an Internet convention last March and an international automobile show in November.

"It is easy to get top speakers to come to Cairo and Egyptian resort areas because of the country's traditional tourist attractions and top international hotels," says Tarek Kamel, secretary of the Internet Society of Egypt; organizers of Cainct, the nation's third 'Internet conference and exhibition, which attracted speakers from 20 countries. "Conventions in Egypt always include visits to the most popular 🗳 tourist sites.

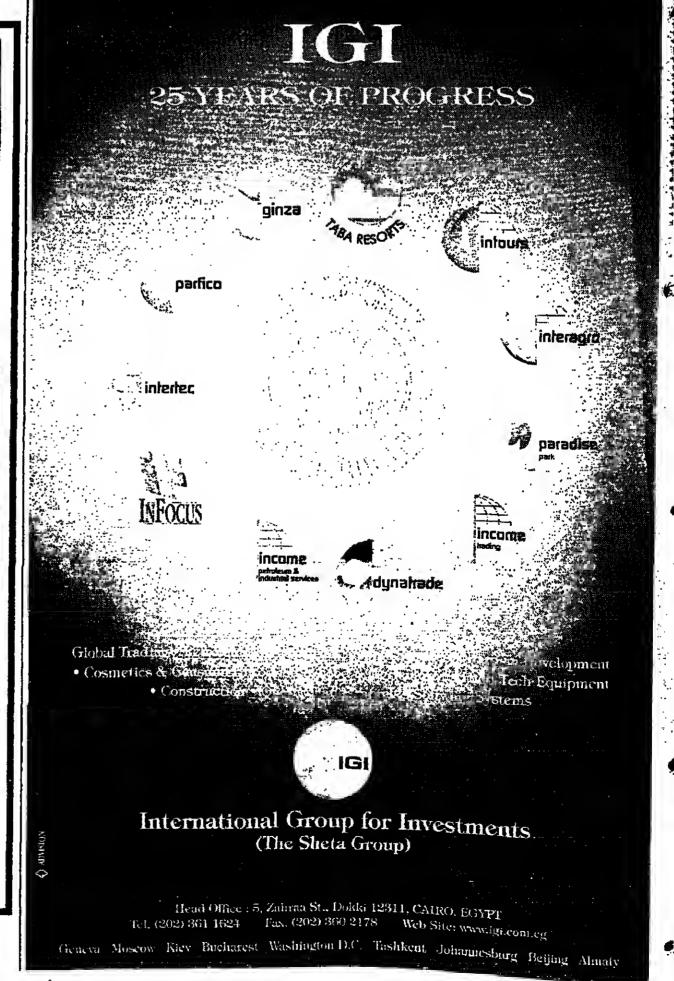
This week, 1.300 participants from 95 countries will anend the 36th International Advertising Association conference, being held for the first time in the Middle East.

Taking place under the patronage of Egyptian President Hosni Mubarak at the International Convention Center in Cairo May 10-13, the IAA will take as its theme "Interaction - The 21st Century." Executives from companies like American Express. Compaq. Microsoft. Mobil Oil and Visa International will take part in speeches and debates about the future of markening emmunications.

"Expt has been the cradle of communication since the dawn of history, and it is appropriate that we are hosting the last IAA congress of the century, "says Dahlia Abdel-Fattah. the event's executive director. •

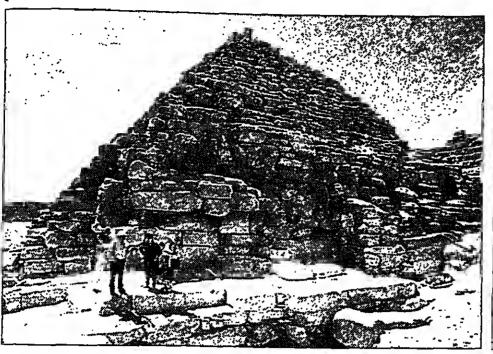


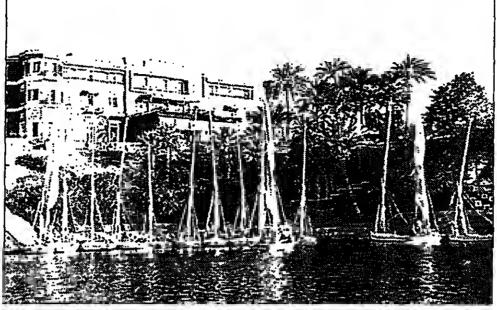




حيكنا من الاجل

EGYPT: THE STABILITY DIVIDEND









Pyramids, the Nile, Egypt's many well-known temples and tombs — these represent a traction of the country's rich artistic and architectural heritage.

TOURISM'S MONUMENTAL TASK

The challenge is to preserve Egypt's rich heritage while making it available to the world.

a unique discovery. "Seventy percent of amids the Cairo Museum and Kamak Temple." Egyptian monuments have not yet been unearthed," says Zahi Hawass, director of the Pyramids Victims of success in Cairo. "Egypt still has more buried magic than any other country."

Yet many Egyptian sites, from Abu-Simbel in the south to the Pyramids of Giza, have suffered from a

Egyptian official was found in Abu Sir and, beyond the confines at the Pyramids, a visitor can be taken on a private tour to view recent discoveries like the servation and tourism. Tomb of Kay and a broken statue of the queen of unexplored tombs, shafts, causeways and inscrip-

"There is so much here that we always need more ocopic, more money and more time," says 27-yearold archaeologist Shaaban Ahmed as he shows a visitor a new shaft at one dig. "There are also new discoveries made about the Pyramid builders, including the discovery of wooden splints used to support broken bones.

It doesn't take new discoveries to underline the importance of Egypt's existing monuments. "The historical and cultural importance." says Constantin Christofides, an art professor who was born in Alexandria and now teaches at the Institute of American Universities in Aix-en-Provence, France, "There is architects, sculptors, astronomers, painters and idated streets in the Al Azhar area in Cairo, •

in Egypt and you could make artists. No one should die without seeing the Pyr-

صكذا من الملصل

Earlier this year, the undisturbed tomb of an surplus of tourists and a lack of management, A priority for Mr. Hawass and other archaeologists in Egypt today is to strike a balance between pre-

"The Sphinx is the oldest sick man in the world. Ramses II. Ongoing excavations constantly unveil and we recently closed the Cheops Pyramid for eight months to clean the humidity, graffiti and cracks caused by too many tourists, who cause the level of humidity to rise to 95 percent," says Mr. Hawass. who obtained his Ph.D. in Egyptology from the University of Pennsylvania. "Preservation of the monuments must become as important to the country as showing them off."

In fact, the Egyptian government will have spent \$100 million by 2003 at the Giza Pyramids alone to introduce protective measures that include cleaning and sophisticated ventilation systems, a conservation country is simply of monumental and unrivaled and archaeology training program, and the construction of a new ring road around the site.

The government is also taking steps to maintain other antiquities throughout the country. The Ministry of Culture has just embarked on a \$72 million to question that the Egyptians were the world's first program to rehabilitate entire areas of now-dilap-

SOLOING (OR NEARLY) ON THE NILE

Waves of tourists may come and go, but the Nile is eternal and unchanging.

I tant to call their country "the tiger of the Nile." a fashago. But the river continues to river almost to herself. represent the life of the nation and, as Herodotus said, "Egypt is the gift of the Nile."

The river is evoked nearly gers, a Nile bowling alley and a taxi driver who introduces himself as "Stranger in the Nile." Cruising the Nile is, of course, a must for tourists. But why would a 37-yearold woman from Indiana explore

the Nile on her own? Debra Moffitt, a business ex-

economic crisis, are reluc- Egypt last March despite warnings all of these monuments to life,

the Nilc Romance, a boat with sleeping quarters for 250, which she took from Aswan to Luxor on less than \$500 for accommoda-

Temple and the High Dam.

ecutive-turned-writer. came to the smell of jasmine — that brings from friends about security and the she says, noting that she hopes to Royal treatment temple even offered to buy me for norm this spring. 50 million camels."

While another terrorist incident everywhere. There are Nile bur- a five-day, four-night trip that cost could certainly occur. Ms. Moffin was not overly concerned. "Any tion, board and guided tours. She worries I had about security divisited well-known locales like minished when I saw the several Elephantine Island, Kamak armed guards on carnels at the Temple. Kom Ombo. Philae Pyramids," she concludes. "And after 10 days in the country. I felt "The Nile has a life of its own safer as a single woman than I've wildlife, riverside inhabitants, felt in lowa.

LULL IN VISITORS, **Not Investors**

Long-term investors are not shring away from opportunities in the tourism sector.

gypt is a nationwide museum and year-round resort with many of the attributes — sur, sea, sand, culture and an upmarket infrastructure -necessary for a budding tourism industry.

But this important revenue-earning sector is still feeling the crushing blow of last November's attack on tourists in the southern resort town of Luxor. Today. whether the subject is tourism or the economy, conversation is often conducted in terms of pre- and post-

Although the government quickly implemented tight security measures following the incident observers agree that it will take at least until September before there is any serious uptake in tourism.

Almost 90 percent of tourists come to Egypt on group tours and, though some operators have included the destination in their autumn catalogues, many canceled excursions following the attack.

Tourist terrorism won't threaten the stable regime or destroy the strong economy in Egypt today." says David Wilsford, political scientist and president of the Institute for American Universities in France. "But it certainly does not encourage people to book

Boom and bust

Tourism in Egypt had been blossoming pre-Luxor. Nearly 4 million tourists arrived in 1997, compared with 1.5 million in 1985, and the industry earned the country over \$3 billion, or about 4 percent of GDP, in June of the 1996-97 financial year. It is, directly or indirectly, responsible for one job in 10,

"Tourism, particularly because of its ripple effect throughout the services industry, will always be a cornerstone of our economy, and anything that hurts it hurts the economy." says Mohamed Ozalp, the senior general manager of MIBank.

Indeed, the number of tourists visiting Egypt earlier this year had dropped by at least 50 percent: last month, there were only about 1,000 tourists a day visiting the Pyramids, compared with 4,000 a day a year ago. This drop is a blip on the screen, however, in terms of long-term development.

"As long as the Pyramids are standing, there is tremendous room for growth in tourism." says Moharned Barakat, the managing director of the Egyptian Gulf Bank. In fact, there are still fewer hotel rooms in Egypt than in Las Vegas.

Observes Ibrahim Ahmed Kamel, chairman of the Kato Aromatics holding company: "We have tourism investments worth \$50 million, and nothing was canccled because of Luxor. In fact, our total investments will be doubled as tourism further diversifies in the recreational, business, health and adventure travel

Indeed, there is a plethora of new hotels at Red Sea and Mediterranean resorts, and the area between Sharm El Sheikh and Taba has been nicknamed the "Egyptian Riviera." Though former chic haunts, like the Groppi tea house in Cairo and the San Stefano Hotel in Alexandria, are fading landmarks, contemporary tourism includes everything from the world's best-known hotel chains to a Pizza Hut near the

lack of a planned itinerary. She return next year to visit Abu Sim- There are, for the tourist, even some positive aspects to ionable appellation only a year was delighted to find she had the bel. "I was entertained by an the current decline. "The buyer is king." says Maged Egyptian colonel and his wife in Abaza, general manager of the International Group for There were only 10 people on Aswan, and a vendor at the Edfu Investments, noting that a 50 percent discount is the

> "EGYPT: THE STABILITY DIVIDEND" was produced in its entirety by the Advertising Department of the International Herald Tribune. WRITER: Joel Stratte-McClure is a freelance writer based on the French Riviera. PHOTOGRAPHS: Burn herson. PROGRAM DIRECTOR: Bill Maluler.

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Even Between Teens,

Hingis and Venus Williams Beat Young Foes

Experience Counts

By Christopher Clarey

International Herald Tribune

But even gifted teenagers raised to believe in themselves and their ground-

strokes can prove susceptible to pres-

sure, which helps explain why the two

to be duds. In the first, Venus Williams

eliminated her younger sister, Serena, 6-

were filled with missed shots and

This was the second professional

match between the Williams sisters, and

it bore an unfortunate resemblance to

the first, which Venus also won in

straight sets in the second round of this

year's Australian Open. In Melbourne,

Serena, normally an explosive and rel-

atively consistent baseliner, lost her

rhythm from the backcourt as Venus

slowly but inexorably gnt her large

In was little different on Friday. The

first set was an ode to the unforced error.

Venus committed 15, double-faulted

three times and had only one service

winner. Serena committed 18 unforced

errors, double-faulted twice and missed

four very makeable groundstrokes when

Serena would make 14 more un-

forced errors in the second set, in which

Venus lifted her game slightly. When

Serena lost the match with yet another

backhand mistake, she trotted dispir-

itedly to the net, gave her sister's hand a

cursory shake and then did the same to

the chair umpire's hand, before packing

ber bag and walking briskly off court

while Venus stayed to give interviews

and sign a few autographs (after such a

poor quality match, demand did not

exceed supply). It was quite different to

Australia, where the sisters beld hands

"That was just a one-time thing,"

For those whn watched Screna dom-

inate the former clay court master

and bowed to the crowd.

Serena said.

serving to stay in the set at 4-5.

4, 6-2. In the second, world No. 1 Martina Hingis disposed of Anna Kournikova, 6-2, 6-4. Both encounters

with power and precision.

missed opportunities.

hands around the match

SPORTS

WORLD ROUNDUP

Pressure on Luyt

RUGBY UNION South Africa's National Sports Council met Friday to consider its reaction to the refusal of Louis Luyt, the white president of the South African Rugby Football Union, to resign.

The council had threatened a return to apartheid era boycotts if Luyt stayed, but on Friday Mluleki George, the head of the council, said Steve Tshwete, the country's sports minister was "confident" Ireland's tour to South Africa this month would gn ahead. The council has accused Luyt of failing to bring blacks into the game.

South African rugby's ruling body voted, 15 to 7, nn Thursday for Luyt to resign. Even Luyt's sonin-law, Rian Oberhulzer, the sport's chief executive officer. failed to support Luyt. But Luyt said the vnte was not valid and refused to resign.

"I think the problem will be resolved within the next two weeks," said John O'Neill, chief executive of Australia, which is due to play South Africa in the Tri-Nations series. "There's an inevitability about Luyt's resignation."

• The English Rugby Football Union and England's elite elubs ended a dispute on Friday that had lasted almost two years and had threatened England's place in next

year's World Cup. The International Rugby Board had said it would expel England from international rugby unless it

reached a deal with its elnbs. Graham Smith, chairman of the RFU negotiating team, said Friday that the two sides bad negotiated an agreement that would last "a minimum of seven years."
"I think the International Board

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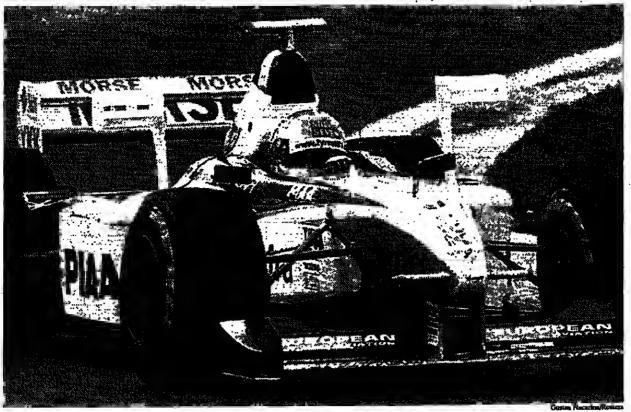
will accept the game will be run by the RFU," he said. The deal limits England to eight

international games a season. It also limits English players to a maximum of 37 games, for club and country, in a season.

• Kevin Bowring ceased to be coach of the Wales team nn Friday. The Welsh rngby board said he didn't quit and wasn't fired, but left by mutual agreement. Wales will go to South Africa for a five-game tour in June. (AFP, AP, Reuters)

Laudrup Will Retire

SOCCER Michael Laudrup, the Denmark and Ajax Amsterdam striker, said Friday that he would retire after the World Cup. Laudrup, whn turns 34 on June 15, the week the World Cup starts, has played 97 times for Denmark, scoring 36 goals. He has played for Juventus, Barcelona and Real Madrid (AFP)



The Japanese driver Tora Takagi driving an x-wing-equipped Tyrrell in testing for the Spanish Grand Prix in Barcelona nn Sunday. The wings, the white appendages on either side of the driver, have just been banned.

Wings Must Go, Formula One Decides

By Brad Spurgeon International Herald Tribune

ARIS — A racing car, wrote F. T.

Marinetti, "is more beautiful than the 'Victory of Samothrace' The 2,000-year-old Greek sculpture still sits in the Louvre, minus a head, but with ber wings gloriously spread. It is unchanged in appearance since 1909, when Marinetti, the Italian founder of "futurism" — an artistic movement that glorified machines — made his comparison. In that time the cars have been transformed. Briefly this season some even gained wings.

But last week, the International Antomobile Federatinn banned Formula One racing cars' latest aerodynamie appendage, which may indicate that aesthetics still count in motor racing.

The extra parts, which were fitted nn the side of the car next to a driver's head, are known variously as x-wings, tower wings, side-pod wings, Penguins, candelabra nr winglets.

A debate about them started two weeks agn between Max Mosley, the federatinn's president, and Formula One car designers.

The modernist dictum that "form follnws function" caused most designers to elect to keep the ugly wings, even though they destroy the beauty of a car's natural lines, simply because they make the machines go faster. The FIA nevertheless ordered that

any team using x-wings at the Spanisb Grand Prix in Barcelona this weekend,

or future events, may be excluded from the race for "dangerous construction."
It was purely nn safety grounds, said Francesco Longanesi, an FIA spokesman. "We can't take things nff the cars based on aesthetics.'

Twice this season x-wings have broken off cars in action, and the automobile federation argues that they could hit a driver. But no objections were heard when the wings were created last year by Mike Gascoyne, the designer of the Tyrrell car. Again, nothing was said earlier this year as Sauber, Prost, and Jordan adopted the wings during the first three races. But when Ferrari started to use them

at Imola twn weeks agn, a Formula One

icon was being disfigured. After all, a 1990 Ferrari adoms the permanent collection of the Museum of Modern Art in New York, Originally part of an exhibit in 1993-1994 called "Designed for Speed," the Ferrari is one of three cars in the museum's collection. In an article about the exhibition in the magazine Art in America, Richard Vine said the racing

car "has all the defining characteristics of a work of art." He called it "rav-ishing," and said it "expresses a complex meaning," and serves an end that is transcendental nr esthetic." Its raison d'être, be added, "is seduction."

Penguins.are not seductive, said John Barnard, who designed the 1990 Ferrari. But while Barnard calls them "dreadful," he had planned to use them on his

current car, an Arrows. "Unfortunately with racing it's all about crossing the finish line first," he said. "Aesthetics take second place. If you've got something that you can bolt on that makes it go quicker, you bolt it on. "But there's always a touch you can add that may not affect performance nne way or the other - a curve here, a radius there where yon're following a line

through, that doesn't cost you anything. but aesthetically it makes it look nicer. Barnard said that x-wings also got in the way of mechanics working on the car, engineers talking to drivers, and during refueling. But wind tunnel tests show they add downforce and make the car more aerodynamically efficient.

Barnard said the teams' designers, whn meet periodically to discuss reg-ulations with the FIA, did take aesthetics into consideration. He said that before this season they were asked to create a larger cockpit for safety reasons. For aesthetic reasons, they redesigned the suggested rectangle into a tapering box.

While be agrees that x-wings could be a safety hazard, he has his nwn list nf ngly elements that should go.
"The next item on that list is the TV

camera nn top of the roll hoop," Barnard said, referring to the camera with which every car must be fitted. "TV is the God. You can't touch it. Interestingly, you could make an argument on safety grounds with that, too.

Multicolored paint jnbs and sponsor's logos also mar the car's natural line, and that's wby he thinks the Ferraris have "historically had a nicer aesthetic look to them," he said, "Because they're one solid color - red - you see a flow of line." His Arrows is solid black, except for the lngns.

While Vine said Barnard's Ferrari looked "femininely voluptunus," with an "implicitly fertile midbody swelling," Barnard sees his Arrows as "a bit like an American football player: It's sort of got big shoulder pads and is over-proportioned, counky in the middle and tapering aff to anthing at the back."

Christopher Mount, the curator of the

MOMA exhibitinn, said Formula One was popular because of "the beauty of the automobiles." But the rules have made them "add on all these spaceship-like things" that "destroy the basic sculptural form of an automobile."

So the FIA decision to ban x-wings serves art as well as safety.

Conchita Martinez on Thursday, it was a strangely muted performance, and Serena was not eager to help solve the mystery. "I don't know; things happen. I guess," she said. ROME - The 17-year-olds got the I guess, sne said. But if anyone thought Yenus's victory might drive a small wedge between better of the 16-year-olds in the quarter-finals of the Italian Open on Friday It has come to that in women's tennis,

the sisters, they needed only to watch which is quickly becoming very young them play doubles later in the afternoon. women's tennis. Forget about the dues-They slapped each other's hands and paying and other such time-honored shared confidences in customary fashprinciples. You don't need to be able to ion en route to a straight-sets victory. vote to smack a down-the-line backhand

So wby can't they bring out the best in each other when they are on opposite sides of the net? "I guess it's a different situation than

normal," Venus said. "If we were to play in the final, it would be a little different. But as long as the tournament most anticipated matches on this sunlit afternoon at the Foro Italico turned nut is not over, we'd like it better if we were both still in the draw.

Venus, playing in her first Italian Open, will face Arantxa Sanchez Vicario, 26, in the semifinals. Sanchez Vicario rallied to beat Lisa Raymond of the United States, 6-7 (6-8), 6-1, 6-2, and looked fit and fresh enough to keep playing another three sets. Sanchez Vicario beat Venus easily in the final of the Sydney event in January, and though Venus has added layers to her game. since then, the Spaniard will be favored again on clay, the surface on which she has won two French Opens.

In Saturday's other semifinal, Hingis will Mirjana Lucic, a 16-year-old Croatian, whn advanced when Sandrine Testud defaulted with a leg injury after losing the first set, 7-5.

The only real difficulty Hingis experienced against a clearly jittery Kournikova was on the final point. Hingis led, 5-0, after nnly 14 minutes of play and had her first match point at 6-2, 5-1 on Knumikova's serve. But after Hingis; missed a straightforward forehand, the graceful Russian finally began to give her gailery of young Italian admirers reason to appreciate her tennis.

She would win the next three games and save four more match points before Hingis finally regained control. Nonetheless, the match was far less compelling than their three-set encounter in the third round of the Australian Open. Hingis holds a 4-0 career edge over Kournikova, who is eight months younger and also never beat Hingis during their junior careers.

"That's important, especially men-tally," Hingis said. "You could see it in the match. When she was out there, she was nervous and didn't really know what to do. So it belps me."



Venus Williams stretching for a forehand as she beat her sister, Serena.

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Capitals' Kolzig Holds Off Senators, 4-2

WASHINGTON - Olaf Knlzig, the Washington goalkeeper, had another busy night as the Capitals npened their Eastern Conference semifinal with a victory. Knlzig made 36 saves

Thursday as Washington beat the Ottawa Senators, 4 2. continuing the form he had shown in the first round of the playoffs when he led all

WORLD CUP TICKETS WANTED **ALL MATCHES** TOP \$ PAID 06 14 93 36 06 06 14 93 36 03

gnalies in total saves.

"Olie was nutstanding," said Ron Wilson, the Capitals' coach, repeating three words be seems in use after every game these days. "They shoot the puck a lot. I felt a lot of their shots were perimeter shots. Olie's a tough guy in beat from a distance. The naly goals allowed by

Knizig, who is 6-feet-3-inches (1.9 meters) tall and weighs 225 pounds (102 kilograms), came from Daniel Alfredsson on a 2-on-1 break in the first period and Andreas Dackell's backhander on a power play in the third. 'l didn't realize he was so

big," said Bruce Gardiner, an Ottawa center, adding that with a goalie like that. You've got to get him moving side to side, giving up rebounds or deflections.

At the other end of the ice. Damian Rhodes struggled and was replaced by Ron Tugnutt after Washington scored its fourth gnal. Rhodes was hot during the first-round upset of the New Jersey Devils, but Tugnutt has won seven nf eight games against the

Capitals over two seasons. Adam Oates, Peter Bondra and Brian Bellows scored for Washington and have a combined 101 career playoff goals, 43 more than the entire Ottawa team.

Ottawa nutshot the Capitals, however, 38-23.

"Being nutplayed doesn't mean anything," said Craig Berube, annther member of the Capitals' nver-30 crowd. 'lt's the scoreboard that counts, and we try to keep everything in perspective and not panic."

The Capitals also got a first-period goal from Richard Zednik, a rookie. Stars 3, Offers 1 Sergei Zubov, a defenseman, scored nn twn inng-distance slap shots, and Ed Belfour sparkled in goal as Dailas beat visiting Edmonton.

Zubov powered twn long sbnts past Curtis Joseph in the first period for a 2-0 lead for the Stars. Mike Keane added an insurance goal early in the third period when he best Joseph in the glove side after a goal-mouth feed by Mike. Modano. It was Modano's third assist of the game.

Belfour made 31 saves. Joseph, who didn't allow a goal in the last 166:54 of the playnffs after posting back-toback shutours against Colorado in the first round, gave up. three goals on just 14 shots.

Motorsport - FIA Rally of Corsica

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Return of Ewing Can't Save Knicks

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INDIANAPOLIS much-anticipated return from a fractured wrist, but he could contribute little as the New York Knicks fell two games behind in their second-round series against the Indiana

Ewing shot just 3-for-11 with six rebounds, four fouls, two nimovers, two steals and

NBA PLAYOFFS

no assists in 27 minutes as the Knicks lost, 85-77, 10 the Pacers on Thursday night. All it takes is one game under my belt," said Ewing.

who had been out since late December. "Patrick gave us a big lift, and I think he'll be better in have a better game," Ewing

so much to us." Mark Jackson of the Pacers said, "Our objective is to put

this thing away before he finds that rhythm." Ewing was on the court with the starting five, but lost the opening tip in what would tum out to be a long series of plays in which Ewing simply

was not his old self. He fumbled the hall the first time he touched it. dribbled it terribly, shot poorly and even had a late airhall. Many of the Knicks denied it, but they seemed to lose the offensive flow they had grown accustomed to in Ewing's absence.

lapses, too, none of which were more costly than when Patrick Ewing made his he left Rik Smits wide open with 1:31 left for a jumper that gave Indiana a 79-73 lead.

The Knicks closed to 79-77 on a lay-up by Ewing with 46 seconds left, but the Pacers held New York scoreless the rest of the way.

Smits scored 22 points and Reggie Miller had 21 for the Pacers, who again got a strong contribution from their reserves (28 points).

John Starks scored 20 to lead New York, while Allan Housioo had 16 and Larry Johnson, returning from a two-game suspension for fighting with Alonzo Mourning of Miami in the first round, had 15.

the next game," said the said. "My expectations are Knicks Chris Mills. "We're high, and I believe in my-all happy he's back. He hrings self."

The Knicks' coach, Jeff Van Gundy, said: "He did all right. He hasn't played in five his ground against Rik Smits of the Indiana Pacers. months. Early on he made some turnovers and got into foul trouble. In the second half he played much better. His presence back on the floor

was good for us." Jazz 109, Spurs 106 In Salt Lake City, the Spurs had a chance to win at the end of regulation - just like in Game 1.

This time, Tim Duncan passed the hall instead of shooting it, and a wide-open Jaren Jackson missed a 3pointer. "We've played just as well as Utah in both games.



Patrick Ewing of the New York Knicks, left, standing

Spurs' coach. The Jazz, who now lead the four-of-seven-game series, 2-0, hit five free throws io the last 15 seconds of overtime to

Game 1, Duncan once again led the Spurs with 26 points. including 10 in the fourth quarter. But he missed his only field goal attempt and both of his free throws in overtime.

seal the victory.

we've had enough lessons," bounds, despite foul trouble. "He said, 'Well, you got the first one. said Gregg Popovich, the Avery Johnson had another Now run the bases," Preston said. standout game for the Spurs, scoring 21 points.

Malone led the Jazz with

22 points, sbooting 10-for-26 from the field. Jeff Hornacek After scoring 33 points in had 18 points and 12 assists. San Antonio and Utah also

and Sunday. The Spurs lost

the first two games by a total

of four points.

For Mets, It's All in the Family

حكذا من الاصل

Mookie Wilson's Stepson, Preston, Gets 3 Hits as N.Y. Downs Cards

The Assectated Press

Preston Wilson, the 23-year-old stepson of Mookie Wilson, the former New York Mets outfielder and current first base coach, got his first major league hit and quickly added two more

as the Mets beat St. Louis, Wilson, a rookie, went 3-for-4, drove in a run and stole a base as the Mets won, 4-1. on Thursday night in New York. Masato Yoshii allowed just two hits in seven innings, including Brian Jordan's

home run, and the Japanese-born pitcher

BASEBALL ROUNDUP helped himself with his first big league hit, a two-run double that made it 3-1 in

the fifth. Fans who came out to Sbea Stadium hoping to see Mark McGwire hit home runs instead saw the younger Wilson, also an outfielder, eojoy a special big-

league beginning. I can't ask for anything more," said Wilson, the Mets' top choice in the 1992 draft. 'Anytime you get off to a good start, it helps you relax."

After beating out an infield hit in his first at-bat, Wilson was greeted with a handshake from Mookie once he got

Wilson also received congratulations from McGwire.

asked, according to Wilson.
"I said, 'Yes.'" Wilson said. "He added 21 and John Stockton said, 'Way 10 go.' That's nice, especially coming from a big man.

Braves 6, Padres 3 In Atlanta, John will play back-to-back Smoltz, the Braves' starting pitcher, Games 3 and 4 on Saturday drove in three runs and got his third victory as the Braves won their fourth straight.

Smoltz (3-0) capped a four-run fourth wing's absence. as well as Utah in both games, David Robinson finished "It's a tough way to end inning with a two-run double off Joe Ewing had a few defensive except down the stretch — with 21 points and 14 re- two games," Robinson said. Hamilton and added a run-scoring single

in the sixth. The right-hander gave up got in trouble," Clemens said. "Wheo five hits and three runs and struck out seven batters in seven innings.

Andres Galarraga homered for the Braves, who have at least one homer in 19 consecutive games. Expos 2. Rockies 1 In Montreal, Carlos

Perez took a shutout into the ninth inning and won for the first time in 12 starts. Perez (1-3) allowed seven hits in eight-plus innings, struck out four and walked oone. He gave up a leadoff triple to Ellis Burks 10 open the ninth, and Larry Walker followed with an run-scoring single. Ugueth Urbina finished for

his seventh save. Dodgers 4, Marlins 3 Ramoo Martinez survived a shaky start to pitch eight innings and Raul Mondesi capped a come hack with a two-run single for visiting Los Angeles. Martinez gave up three runs in the first inning, then allowed only two hits after that.

Phillies 4, Diamondbacks 1 In Philadelphia, Curt Schilling allowed just three hits and struck out 12 in seven innings to lift his major league-leading strikeout total to 90, 45 ahead of the No. pitcher - the Chicago Cubs' Kerry

Pirates 8, Reds 7 In Pittsburgh, Jason Kendall's two-run single in the eighth capped the Pirates' comehack.

Bret Boone, Willie Greene and Chris Stynes homered as the Reds led 4-2 and 7-5 before the Pirates rallied with Kend-'Is that your first hit?" McGwire all's double and Turner Ward's runscoring single in the seventh. In American League games:

Blue Jays 6, Mariners 0 One day after Kerry Wood struck out 20 to tie Roger Clemens's major league record for a nine-inning game, Clemens stretched his his first home run in 463 at-bats — since streak of scoreless innings to 18 with the help of a different record.

Clemeos won in Seattle as the Mariners left 16 runners on base, tying a major-league record.

you get in trouble, you've got to go to banling." Clemens had six strikeouts in seven

innings while giving up seven hits and walking three. Earlier in the day, he had telephoned Wood to congramlate him for his 20 strikeout performance against

Carlos Delgado gave Clemens all the support he needed by going 5-for-5 with grand slam in the third inning.

"Once you get out to a three- or four-or five-run lead, you can pitch a little more and go at guys," Clemens said. You try and pound guys when you have to. You try to overpower em. Then at times you've got to make some good

pitches_ Clemens struck out Alex Rodriguez

with the bases loaded in the sixth. Ken Griffey went 3-for-5 with two doubles for Seattle, which went 0-for-10 with runners in scoring position against Clemens and 2-for-19 with runners in

scoring position overall. Indians 7, Rangers 2 Bartolo Colon pitched a four-hitter for his third career won its sixth straight.

complete game as visiting Cleveland Colon struck out five and walked two. losing the shutout when Will Clark hit a

two-run homer with one out in the ninth. Tigers 6, Athletics 3 Andy Tomberlin and Bobby Higginson hit two-run

homers as Detroit rallied for the second straight day in Oakland. Tomberlin hit his first homer of the

season in the sixth and Higginson hit his sixth homer an inning later.

Royals 5, Red Sox 3 Jose Offerman hit May 18, 1997 — and visiting Boston loss consecutive games for the first time in two months.

• In Chicago, the National League game between the San Francisco Giants 'I made some good pitches when I and the Cuhs was rained out.

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Rodriguez. W—Colon 3-1. L—Sele 5-2

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Toronto 000 000 001—6 13 1 Sertite 000 000 000—6 11 1 Clemens Guantill (8) and Fishthen Moyer, Liru (7) and R. Wikins, W.—Clemens 4-3. L.—Mayer 2-4. HRs.—Toronto. C. Delgado (2), Fishther (3). NATIONAL LEAGUE

Colorade 000 000 801—1 7 d

Montreal 000 002 00x—2 5 1 Daiei
Wright, DeJean (8) and Monwaring: Perez,
Urbina (9) and Widger. W—Perez 1-3.
L—Wright 2-3. Sv—Urbina (7).
Las Angeles 000 020 200—4 8 d

Kintehu 989 020 290-4 8 0 300 000 880-3 6 1 Flortida 200 000 660-3 6 1
R.Mortinez, Radinsky (9) and Piazza;
Hommond, Stanifer (7), F.Heredia (8),
Powell (9) and C. Johnson, W.-R. Martinez,
4-2, L.—Stanifer, 0-2, Sy-Radinsky (6).
HR—Log Arigeles, T. Hubbard (3),
San Diego 200 610 000-3 5 0
Attanta, 000 420 664-4 10 0
Homilton, Wall (6) and G. Alyeris Smoltz,
Rocker (6), Ligtenberg (7) and Lopez,
W.—Smoltz, 3-0, L.—Homilton, 3-2,
Sy-Latanobera (3), HR—Attanta, Galarraga

etreil 610 002 210—6 12 1 Louis, B, Jordan (5).

Arbana 002 010 006—3 2 1

J.Thompson, Jones (9) and Olivear ordiotit, Manier (7). T.J.Mathews (8), 50m (6), Telgheder (9) and Hinch, W—J. ompson 2-4. L—Candiotit, 3-4. Sv—Jones

Pittsburgh 200 030 121—8 9 1 Weathers. Sullivan (5), G. White (7), Belinda (7). Shaw (8) and Taubensee; beards (7), Snow (8) and Tobberse; Losize (9) and Kendall W—Dessens (9), Losele (9) and Kendall W—Dessens 1-1, L—Betinds 1-5, Sv—Lotselle (8), HRs—Cincinnoft Stynes (5), W. Greene (6), B. Beone (6), Pittsburgh, A.Martin (5),

JAPANESE LEAGUES

CENTRAL LEAGUE 34 Chunichi Yekoheme Yemiuri Hanshin Yakuti Pct . G8 . 577 — 0 . 545 · V 0 . 548 · V 0 . 552 · V 0 . 500 · G . 269 PACIFIC LEAGUE W L 15 11 13 10 14 11 14 12 12 12 7 19 0 .2

BASKETBALL

NBA PLAYOFFS CONFERENCE SEMIFEMALS SDAY RESULTS 16: 1: Smits 8-10 6-6 22, Maler 8-18 3-4 21, Retounds New York 54 (Oakley 9), India 42 (D.Davis 9). Assists New York 16 (Wa

10), (notions 15 (Jackson 5).

(notiona leads series 2-0,

I KNOW WHERE YI KNOW WHO

SAID THAT, BUT

I CAN'T

THINK WHO

THAT 15, BUT

remember

WHERE ..

Utah 20 21 28 19 11—197 S.A.: Duncan 8-17 10-15 24, Robinson 9-16 3-52), Johnson 10-14 1-1 21; U: Molone 10-26 Antonio 48 (Robinson 14), Utah 43 (Maton 12). Assists—Son Amonio 19 (Del Negro 5), Ulah 29 (Slockion 12). Utah jegas series 2-0.

ICEHOCKEY

NHL PLAYOFFS SECOND ROUND, BEST-OF-7

Wisamgroil
First Period: O-Afredason 4 (Gordiner)
(sh). 2. W-Zednik 2 (Johansson, Bondra)
Second Period: W-Oofes 4 (Gondror) Third
Period: W-Bondra 1 (Johansson) 5, WBellows 3 (Honter, Juneau) 6, O-Dockell 1 (Yashin, Alfredsson) (pp). Shots on goot: O-14-12-12-38. W- 8-6-9-23. Goolies: O-

P 1 0-1 First Period: D-Zubov 2 (Sydor, Me (pp). 2. D-Zebov 3 (Modana, Marshall) Secand Period: E-Zelepukin 1 (Murroy, Grier) Third Period: D-Keane 3 (Modana) Shots on gent: E- 6-17-9-32. O- 7-5-2-14.

WORLD CHAMPIONSHIPS QUALIFYING ROUND THURSDAY IN SWITZERLAND

Se: Canado 2 points: 5: intend 0: Belarus 0. zeriond 4 Russic 2

čepublic 2: Slovakia ily Russia ().

SUPER 12

MEXICAN CHAMPIONSHIP

TENNIS FRIDAY SI ROUE

Arantes Scrichez Vicaria (5), Spain, def, Lisa Raymond (15), U.S. 6-7 (6-8), 6-1, 6-2. Martina Hingis (1), Switzerland, def. Anna OFFINAN OFFIN

Karol Kucera (6), Slovakid, def. Th

TRANSITIONS

CLEVELAND—Signed OF Mark Whiten. KANSAS CITY—Put RHP Hipolito Pichan on 15-day disabled list, Called up LHP Jam

on 15-day disabled iss.
Watter from Omaha, PCL.
Watter from Omaha, PCL.
Partilled TEXAS—Put OF Roberto Kelly on disabled But retroactive to April 26. Re RHP AI Levine from Oklahoma, PCL

TORONTO-Traded RHP Dane Johnson to Milwaykee for future considerations. Op-tioned RHP Corlos Almanzor to Syrucuse, IL Activated RHP Kelvim Escabar from 15-day THE WEEK AHEAD

NATIONAL LEAGUE ARIZONA-Recalled C Damion Miller from Tucson, PCL Optioned LHP Ricky Pickett to

Tucson.

ATLANTA—Signed SS Ozzie Guilien. Designated SS Ray Holbert for assignment.

CINCIN'ART—Optioned RHP Todd Williams to Indianapolis. IL. Activated OF Melvin.

Niewes from 15-day disabled list. Put RHP

Marc Kron on 15-day disabled list.

HOUSTON—Optioned LHP John Holomo to

New Oriones, PCL.

NEW YORK—Put IF Craig Paquette on 15
day disabled list. Called up OF Preston

Wilson from Norios, IL.

SAN DIEGO—Acquired RHP Scatt Sanders

from Dehott for player to be named. Assigned

m Detroit for player to be non nders to Los Vegas, PCL. FOOTBALL MATIONAL FOOTBALL LEAGUE ATLANTA—Signed DT Esers Tudoio. OENVER—Signed CB Tito Poul.

TAMPA BAY-Signed OT Joson Mo 2-year contract.
washing you Re-signed DE Rich Owens

DT Ryan Kuchl, DE Jonal Duff and PK Scott Bianton to 1-year contracts. HOCKEY MATIONAL HOCKEY LEAGUE
AMAHELM—Claimed LW Eric LeCompte att

ANAHEM—Lauringo. olivers from Chicago.

of marketing and sales, Tim kovsky to Portland, AHL

SIG 12 CONFERENCE-ADDOUNCED

SATURDAY, MAY 9 AMERICAN FOOTBALL, NFL EUrope:

ATHLETICS. Osaka Japan — Japan Grand Prix.
GOLK, Sonta Ponsa, Mallorca — men,
Spanish Masters, to May 10: Ito, Jopan —
men, Fujkankei Classic, to May 10: Tokyo —
women, Gunze Cup World Ladies, to May 10:
Ituluth, Georgio — men, Be TSouth Classic, to
Moy 10; Chariotte, North Carolina — seniors,
Home Depat Instrictional, to May 10: Hickory,
Tempesses — weaper, Sam Lee Classic, to

Tennessee — women. Sara Lee Classic, to MOY IU.

GYMMASTROS. Seville, Spain — women.
Rhythmic World Chempionships, to May 10.

ICE HOCKEY, Switzerland—World Pool A
championship, to May 17.

RUGBY UNION, Amsterdam, Nother-

RUGBY OWION, Amsterdam, winter-lands — women's rugby World Cup. to May 14, Super 12: New South Wales vs. Welling-ton: Golden Cats vs. Conferbury: Western Province vs. Ologo. SOCCER, friendly Internationals: Mexico

geria vs. Ghana.
TENNOS, Hamburg. Germany — men.
German Open. to Moy 10: Rome — women. Italian Open, to May 10: Coral Springs, Flor ida — men, America's Red Clay Champi

SUNDAY, MAY 10 AMERICAN FOOTBALL, NFL Europe:

meiro, Brazil — Indy-cor. Championship RUGBY UNION, Super 12, Coastal Sharks

sumo, Tokyo — Summer Grand Sumo Tournament to May 24. MONDAY, MAY 11 TENNIS, Rome - men, Italian Open, to

TUESDAY, MAY 12

No major entries. WEDNESDAY, MAY 13

socces, Stockholm, Sweden — Euro pean Cup Winners' Cup finol. THURSDAY, MAY 14

GOLF, Yoshina, Japon — men, PGA Championship, to May 17: Thame, England — men, Benson and Hedges Open, to May 17: Irving, Texas — men, Byron Nelson Classic, to May 17: Wilmington, Defavare — women.

FRIDAY, MAY 15 GOLF, Munakata, Jopan — wonten, Yakult Ladles, to May 17: Belton, Missouri — se-nions, Solnt Luke's Classic, to May 17. IRADMANTON, Hong Kong — World Team Championships (Thomas and Uber Cups), to

SATURDAY, MAY 16

AMERICAN FOOTBALL, NFL EUrope ATHLETICS, Jakarta, Ind CYCLING. Giro d'Italia.

RUGBY UNION, Super 12: Wellington vs. Auckland: ACT vs. Overnsland: Coast Sharks s. Canterbury: Golden Cats vs. Wester

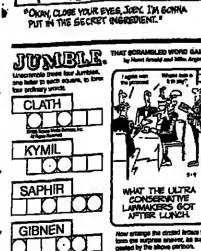
SUNDAY, MAY 17

AMERICAN FOOTBALL, NFL EVIORE NBA Draft lotter

Outon Cup final.

HE DID THE TRANSPLANT





EDUCATION

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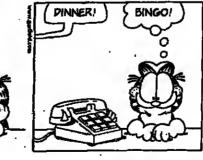
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I SHOULD BE ON THAT

PROGRAM BECAUSE I'

KNOW ALL THE ANSWERS...

BEETLE BAILEY



BLONDIE









coto Chiefs 35, ACT Brumbies 15 SOCCER

RUGBY UNION

COPA LIBERTADORES SECOND BOUND, RETURN LEG Plets, America 1, America, Mexico, 0 le won 2-1 on aggregate.

OUARTERFINALS ioms (9), U.S., def. Serena Wil-Roms, U.S., 6-4, 6-2

COLLEGE **CALVIN AND HOBBES**

HERE I COME, RENDY

WIZARD of ID

MY DOCTOR

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A LION ... ---

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THE END OF THE DAY, WE'RE

DOONESBURY

KNOW MAAT I LIKE ABOUT IST RELIMIONS, GUY? AT THIS POINT IN OUR LIVES MEYE OUTGROAN ALL THE PRESING





MIAMI — Recently it and Grimm'') Peters and Jeff was my great honor to ("Shoe") MacNelly, both of serve as a judge in the Key whom have drawn many ex-West Kritter Patrol Dog pert cartoons involving dogs. Show, which is considered Another judge, named Edith, one of the most prestigious did seem to know a few things dog shows held in the entire about dogs, but I believe she Key West area on that particular weekend.

spend their entire lives sitting around being groomed and fed, like Zsa

Zsa Gabor. This process was The show it benefits the complicated by the Kritter Patrol, which finds fact that many of people to adthe dogs, were opt stray dogs and cats reflects the wearing costumes.

relaxed attitude of Key West, where the WON the Trick Dog categoterm "husiness attire" means wearing some kind of clothing." This is a show for regular civilian dogs, most of whom, if you had to identify them by breed, would fall ungood trick, considering der the category of: "prob-ahly some kind of dog."

These are not pampered show animals, but hard-work-ing. highly productive dogs owner would bring the dog up that spend their days industriously carrying out the vital hiscuit at it, or play a harongoing dog mission of sniffing every object in the world, ("C'mon, Ralph! C'mon and then, depending on how it smells, either (a) barking at it, (b) eating it, (c) attempting to mate with it, (d) making weewee on it or, in the case of small, excitable dogs, (e) all of the above.

When I arrived, the lastminute preparations were proceeding with the smooth consisted entirely of jumping efficiency of a soccer rior. up and down and making There were dozens of dogs on hand, ranging from what appeared to be cotton swabs not easy serving as a judge with eyeballs, all the way up with so many strong contestto Hound of the Baskervilles. Naturally every single one of them, in accordance with the Nevertheless, when it was all rules of dog etiquette, was over, approximately 43 hours dragging its owner around hy after it started, we had to pick the leash, trying to get a whiff one dog as Best in Show. It of every other dog's personal was a hig decision, and alregion. This process was though there was a strong and complicated by the fact that objective push for Peggy, we many of the dogs were wearing costumes, so they could close to three-tenths of a compete in the Dog and Own-second, to give the top prize to er Look-Alike category.

Many owners were also less, sleeping Chihuahua wearing costumes, including dressed as a hutterfly to match one man with an old; totally motionless, sleeping Chihuahua; the man had very elaborately dressed both the dog and himself as (Why not?) when he accepted the trophy, hutterflies. The man wore a and we judges were touched, sequined pantsuit, antennae although we did ask Frank to

and a huge pair of wings. Perhaps you are concerned no formal training or expertise ally deceased in the field of dogs, was on the judging panel. You will be relieved to know that there were also two professional cartoonists. Mike ("Mother Goose

was not totally 100 percent objective, inasmuch as her This is not one of those dog own dog, Peggy, was entered shows in which serious, in most of the events. Edith highly competitive dog snobs consistently gave Peggy high enter professional dogs that ratings despite the fact that can trace their lineage back Peggy is - and I say this with 153 generations and hasically great affection — the ugliest dog in world history.

I think she might actually be a kind of sheep. Nevertheless, in part because Edith's high marks, Peggy did well in sever-

al categories,

the whole trick — trying to Actually, that was a pretty

good trick, considering the competition. The majority of the dogs entered in the Trick Dog event did not perform a onto the stage and wave a dog boy! Sing! C'mon! Woooee! C'mon! Woooee! C'mon!") while the dog either looked on with mild interest, or attempted to get off the stage and mate with the next contestant. My personal favorite in the Trick Dog category went to a very small, very excited poodle named Bunny whose trick, as far as I could tell, eewee on a towel.

As you can imagine, it was ants, both on the stage and hiding under the judges' table. decided, after agonizing for Sam, the old, totally motionhis owner, Frank.

Frank got quite emotional make Sam move his paw so we could see that he was, in that I, a humor columnist with fact, sleeping, and not actu-

Because you have to have standards.

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By Marlise Simons New York Times Service

PARIS — It is 11 o'clock on a Sunday morning and more than 100 people have crammed into the small Café des Phares on the Place de la Bastille. This is an everyday histro, ringed with busy traffic and a nearby street market. But inside there is a pious silence as the crowd hunkers down for an intensely French ritual: the practice of philo-

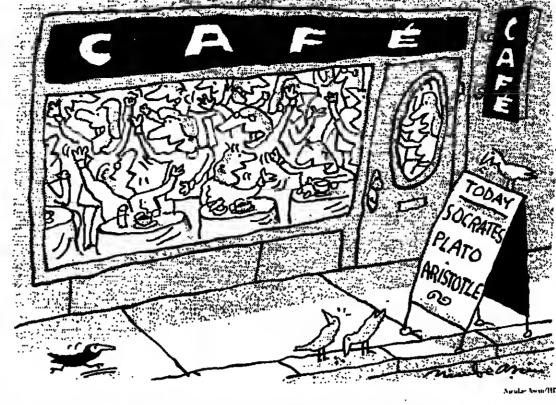
Practice is the key word here, for this is not about contemplating any grand theory or overthrowing deconstructionism. Once a week people of all ages and walks of life come here to grapple with life's many topics for the sheer pleasure of reasoning. Elsewhere philosophy may have crashed from its lofty pedestal, but it is still held high in France. Teenagers must study it in school on the premise that knowing how to think and argue is life's most pertinent skill. At the Café des Phares, the Sun-

day morning dialectic begins as usual with members of the audience suggesting topics. On this day the first speaker proposes, "Is freedom anarchy?" Some people groan. "Is God dead?" provokes chuckles. More hands go up: "Can there be good and bad violence?" "Is there life after love?" "Can one still speak of democracy without laughing?"
The moderator collects the pro-

posals and puts them to a quick vote. Soon a debate on the nature of guilt is under way. The game is played with gusto. Players calmly pass their verhal strokes back and forth with occasional sharp volleys. It seems to confirm the old tenet that the French are polemical as a matter of breeding.

Café society, of course, is as old

as brewed coffee itself. But the erudite kaffeeklatsch at the Café des Phares is different: Since the sessions first began here in 1992. they have become so popular they have generated a broad movement. As this café spilled over, some larly to cogitate out loud.



huffs moved to neighboring cof-feehouses. From the Bastille neigh-said Anne Pemot, trying 10 take group away from hazards like doc-

borhood they spread around Iown. At last count, Paris had 18 cafesphilo and across France there are now about 100. They are all independent, linked only in an in-formal circuit. The phenomenon has already spawned several books. a television program and a himonthly magazine, Philos. Other European cities have copied the formula, and similar gatherings take place in Brussels, Bonn, Geneva and London.

President Jacques Chirac, spotting a way to enhance France's image, even sent one of the founders on a mission to promote the idea in Latin America. Given that most of the philo-

sophy circles meet once a week, one might say almost categorically

notes amid the espresso cups at Café Vavin in the Latin Quarter. "I come to clear my head. It's a moment of reflection. Sometimes I discover a new meaning where there wasn't any." At the Brasserie le Luxembourg, where a group re-cently dehated the notion of tolerance, a man in his 40s said he attended regularly because he

be able to talk to strangers. talk to a stranger you're taken for a flirt or a drug addict."

According to Philos, many

found it a relief, even a pleasure, to

groups follow the recipe first drawn up at the Café des Phares: Devotees find a café and set a time. No money is involved, no rent, no entrance fee. The audience proposes the topics and anyone can take the

guides the debate and steers the trines and speeches. The idea is "to thought," Philos said.

Pascal Hardy, one of the founders of the movement, said he believes the cafés are political by nature because they reclaim philosophy from an inner circle of experts and bring it to ordinary citizens. He also sees the phenomenon as part of a reable to talk to strangers.

These days," he said, "if you and intellectuals whose role in France includes offering weighty thoughts in the press.

The cafés are, in a way, a reappropriation of thought and discourse," he said. "Everyone is taken for what they say and not for what they represent socially. That is eminently political.

The idea, inevitably, has become floor. Ideally, a trained philosopher a subject of debate and analysis. ourselves."

Some commentators have said philosophy now fills the void that arose at the end of the Cold War when the old left-right debate fizzled: out. Others reckon that interest in philosophy is reviving as other systerns like religion and psychoana. lysis fade, or as people lose trust in science.

"It makes me nauseous, this idea that philosophy is back as the new refuge, "Hardy said. "It is the op-posite of a refuge. It is about doubt. about questioning."

Cafe-philo organizers adamantly reject comparisons with the 1950s and '60s, when Jean-Pani Sartre and other French intellectuals held forth on the Left Bank at places like the Flore and the Deux Magots. The Sartre crowd was ex-clusive and talked only among themselves, they say, whereas the philo-café is an organized event with the floor open to anyone. If there are any heroes in the

philo-cafés, it is Socrates, because his dialectical method serves as the model for the discussions, and Seneca, for his pursuit of the wellbeing of the soul. There is in the dialogues the recurrent, uneasy thread that Western civilization is about to go through : dramatic change and a sense that more solid grounding is needed to confront it Many apparently go to the ses-

sions to seek reassurance in these uneasy times or simply good com-

I come here to find an antidote to massive indigestion - the indigestion from the flood of information, the flood of products the flood of sound bites," said Bernard Alves, an office manager. He said he had understood that philosophy was about the search for a better life.

Anne Marie Leblanc, a real-estate agent, said she is a regular atthe philo-cafe: "It helps me to pause, and I find the promise of wisdom very exciting.

'Most of all," she added, "it's the pleasure of being together and while being together, question

PEOPLE



CAST REUNION — The stars of the television series "The Wonder Years," Danica McKellar and Fred band, George Richey, her four children Savage, celebrating the show's 10th anniversary, and two stepchildren, and her grandchil-

1 a court battle to stop sales of a pirate following years of medical problems. recording of a 1962 concert in Germany before they shot to stardom. George Harrison, Ringo Starr, Paul McCartney, and John Leanon's widow, Yoko Ono, challenged claims by Lingasong Music that Lennon had given permission for the recording. In its ruling Friday, London's High Court agreed, and ordered Lingasong to deliver the recording to the former Beatles and stop future sales of a compact disk. The recording was made at The Star Club in Hamburg by Edward Taylor, leader of the 1960s band King Size Taylor and the Dominoes, who was playing a

Tammy Wynette, who picked cotton as a child and earned her living as a hairdresser before becoming a country music star, said in her will that she wanted her children and grandchildren to get an education. The bulk of her estate was placed in three trusts benefiting her hus-

THE three surviving Beatles have won dren. Wynette died last month at age 55, up an international jazz school in France.

A New York City book dealer paid nearly \$240,000 at auction for a letter by the writer Beatrix Potter that included

Wearing his trademark black surgical something for my country, too," Min mask in the tropical hear, Michael Jack- chael said. "Well, why don't you?" the son hugged fans and signed autographs during a husiness trip in the U.S. Virgin Islands. The pop star's visit to the Virgin Islands Casino Commission on St. Croix attracted dozens of fans and prompted speculation that Jackson may be exploring the possibility of opening a hotel or theme park in the territory.

"I want to create a place for jazz." he

'Jazz is in the process of dying." Kirk Douglas took to the op-ed page of the Los Angeles Times to inment the media's focus on sex gossip. He used a conversation with his son Michael

took the time to travel all over the world. at your own expense, talking about democracy in America. I want to do father asked. "How?" "Go into po itics." "Politics!" Michael laughed.
"What's so funny?" "Oh, Dad. Politics? And have them bring out that smoked pot in college and I inhaled! And they will write about every love affair l had - or didn't have." The elder Douglas concluded: "Our generation has certainly left a mess for our children and grandchildren to clean up. But I have

her first drawing of the frog character Jeremy Fisher. The letter was rescued in 1978 hy a girl in Connecticut, who spotted it in a box of junk her parents intended to throw away.

wrote in the daily newspaper Le Figaro.

Douglas to make his point. "Dad, you Helma Kohl's wellwhim what he come Kar ar the end of W. . . . and reserve B St.

One of France's best known jazz musicians, Michel Petrucciani, wants to set
era and fulfill the promise of America



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AGENDA

See Germany: 74

Australie Criticizes Was Soft on Iran Reality Run - Salman Running A less author who

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apparance at a conference of and witters, told Journaliss. EU had been hypoxist banka madela policy toward to sa easiby state and lead the writer said

lakinen Wins Grand Prix

Shir on Sunday. It was the case the case the McLaren-Merde behind, Page 10

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Page 5. . Page 10. Pages 20-22.

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